FOREIGN AFFAIRS

AN AMERICAN QVARTERLY REVIEW

APRIL
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The Editors.

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FOREIGN AFFAIRS

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WILL HITLER SAVE DEMOCRACY?

By C

THE World War was won by the soldiers of democracy, over an autocracy in quest of world hegemony, led by an over-ambitious Emperor. The Peace was lost by democracy's postwar statesmen, for twenty years united in an attitude of defeatism, to that same autocracy in quest of the same world hegemony, this time led by an obscure World War corporal. The defeatism of those statesmen permitted Hitler's Germany to rearm, increase her territory and population, and create a militarized nationalism openly organized for wars of conquest.

Misled by the nationalist and racial slogans of Hitlerism and Fascism, many democratic statesmen long believed that the essential conflict was between German and Italian nationalism on the one side and Communism on the other. Only recently have they realized that the basic social principles of Fascism and National Socialism closely resemble those of Communism, the unimportant difference being that the revolutionary internationalism of Communism is replaced by racism, nationalism and imperial expansion. Fundamentally, Fascist dictatorship fights Communism as a competitor, but its chief aim is the destruction of democracy, for that is its deadly enemy. Any war which Hitler and Mussolini may undertake, whether for European or for colonial expansion, will be primarily an ideological war between the principles of state totalitarianism and the principles of democracy.

The defeatism of democratic statesmen in recent years grew out of their overestimation of Germany's fighting power and perfection of organization. They overlooked the chinks in Hitler's polished armor. The German unity achieved by Hitler is indeed formidable and imposing, but it is much less complete than he has made it appear.

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It was comparatively easy to unite Germany, still smarting from defeat, on the task of throwing off the yoke of a humiliating treaty. It was comparatively easy to consolidate this unity by such tangible achievements as the reintroduction of conscription, the return of the Saar, the reoccupation and fortification of the Rhineland, the annexation of Austria and the Sudetenland, all without a war. It was likewise easy to give employment to millions of unemployed through rearmament, the building of roads and the creation of a great defense system. It was not hard to make the Jews the scapegoats for Germany's defeat and consequent hardships, particularly as simultaneously a decree eliminated them from public services,trade and the liberal professions and thereby created numerous jobs for Nazi partisans. Terrorism facilitated the destruction of all competing political parties. Attacks on the clergy and the Churches were justified on the plea of their internationalism, their interference in political matters and their opposition to racism. Potential rivals to Hitler among his own close followers were murdered.

Even so, in no other country and in no other moment of our modern era could national unity have been achieved by such methods of "statesmanship" aided by such mediæval slogans.

A *sine qua non* for success was the advent to autocratic power of a primitive individual, with a mind unburdened by education, free from all the inhibitions created by any knowledge of historical precedents, economic laws and social morality, free from all traditions of responsibility, chivalry and refinement, but possessed of indomitable courage and determination, unlimited personal ambition, self-confidence and will, of crude peasant logic and cunning, untiring energy and perseverance, and entirely lacking in any sense of humor. The requirement, in other words, was for a man with that special gift of rigid, ruthless and automatic authority which distinguishes the German corporal from all other human beings. That man appeared — endowed, moreover, with a mystic and primitive faith in the reality of the Wagnerian Valhalla. Even so, another ingredient was necessary — Hitler's prodigious luck, and his unlimited faith in it. As a statesman, Hitler is the great "simplifier" of complicated situations and problems. Further, he has an instinct for "timing," for choosing the favorable moment. This has enabled him to use so successfully the simple method of diplomacy by threat.

There can be no doubt that the Germany which faces the

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democratic world today is much more formidable than that which made war in 1914. Its power it owes to Adolf Hitler. But, great as are Hitler's achievements, dictatorship as such has liabilities. These must not be overlooked.

To be really effective, dictatorship requires that the dictator be constantly dynamic. The system precludes passive statesmanship. It thrives on continuing and ever greater achievements, on spectacular successes. The slightest hesitation or failure immediately affects it adversely.

Every dictator owes his acquisition of power largely to a devoted group of disciples. Here is another of the many difficulties of dictatorship. How maintain full and continuing control over this group of prætorians? It might be done comparatively easily if the group could be strictly limited numerically and qualitatively, but this becomes increasingly difficult as the exercise of practical government demands the admission of new elements into the dictator's party and requires that their growing ambitions be satisfied by promotion to higher rank. In the case of Hitler's dictatorship, the annexations of Austria and the Sudetenland have provided examples of this difficulty. Nazi leaders from Germany proper had to be appointed in those areas, and at once we began hearing of Hitler's difficulty in dealing with the frustrated ambitions and jealousies of the local leaders. This is the sort of thing which introduces elements of criticism and disintegration in a ruling party at points where it ought to be most strong. When we are considering dictatorship we should bear in mind that Cæsar was killed by Brutus.

The foregoing general problems are common to all dictators. But in addition Hitler is faced, or will shortly be faced, by specific problems of considerable magnitude.

Hitler's succession of unopposed victories has imparted to his dictatorial dynamism a momentum which he will find it hard either to maintain or to reduce without weakening his personal prestige. Nevertheless, some weighty problems must be solved and a series of preparatory moves carried through before he is in a position to launch out upon the remainder of his grandiose program of world hegemony. Until he has prepared the ground more painstakingly than has yet been possible he would encounter serious obstacles to either his East European or colonial goals. According to the most reliable German expert opinion, for example, the preparation of the strategic elements for a pen-

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etration of Southern Russia would take from two to three years.

Hitler has put forward his colonial demands mainly as a matter of prestige. Without a powerful navy and convenient naval bases it is unthinkable that he could launch a war for the return of Germany's prewar colonies. Moreover, it is an error to believe that a colonial empire is indispensable to German prosperity. In the prewar period German colonial emigration totalled only 200,000 people and Germany's trade with her colonies represented only one-half of one percent of her total trade. Resistance by the interested Powers to Hitler's colonial demands has considerably stiffened of late. He might of course risk an attempt to secure some colonies by negotiation; but he hesitates to embark on a method which is new to him and which is not likely to succeed unless he turns back to blackmail. But for this he is not sure that he now commands powerful enough means of coercion. Also, he has too frequently declared that nothing short of the return of all the former German colonies would be satisfactory. This he certainly cannot hope to achieve by negotiation alone. It therefore seems probable that he will not be able to press his colonial demands actively — *i.e.* except verbally — for the present. In this situation he has encouraged Fascist Italy to put forward territorial demands, hoping to create a test which may bring Italy some rewards; for this might be useful to German colonial negotiations in the future.

But the question of Italian claims on French territory has a much deeper significance: it involves the fundamental problem of German-Italian relations and the actual strength of the Rome-Berlin Axis. This problem deserves special analysis.

From the German point of view, the Rome-Berlin Axis served its main purpose at the time of the annexation of Austria and the partitionment of Czecho-Slovakia. Hitler doubtless sees that he cannot count on profiting much more from Italian support. Moreover, like most Germans, he does not place too great reliance on Italy's military strength in a possible war against the united forces and resources of Great Britain and France. Italian friendliness meant much to Germany in March and September 1938; but after all, the support given was only moral. Hitler considers that he paid for these services by his declaration in April 1938 regarding the inviolability of Italy's frontier on the Brenner and by his present support — likewise moral — of Italian claims in

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the Mediterranean and the Red Sea. It seems most unlikely that when on January 30, 1939, Hitler pledged military support to Italy he meant that he would straightway dispatch an expeditionary force to help her in any war of aggression against France. More probably he was deliberately paying a last instalment on his debt to Mussolini — not a very expensive one, either, for he is right if he reasons that Italy will not venture upon any serious undertaking unless the German Army is available from the very outset. Furthermore, it would be quite in line with German modern diplomatic methods to have encouraged Italian threats of aggression, with a view to compromising Mussolini in the eyes of British and French public opinion and so preventing a rapprochement between Italy and the two great European democracies. If France, supported unequivocally by Great Britain, definitely refuses to grant any territorial concessions to Italy, Hitler will probably withdraw his promise of military support to Italy, pleading his pacifism. He would count on thus regaining some popularity in England and furthering his aim of a German-British rapprochement.

Germany's influence in the Danubian States is at present stronger than Italy's. But here, as throughout the Balkans, there is more ground for German-Italian rivalry than coöperation.

Economically and financially, an Italo-German alliance has no great prospects, for in this realm neither country can help the other. Moreover, both are forced to import certain raw materials and foodstuffs, and both are dependent to this extent on foreign markets and credits. Will there not develop naturally, then, a competition between Italy and Germany for a rapprochement with Britain and the United States as the only solution of their respective financial and economic difficulties?

The psychological factor should also be taken into consideration. Let us disregard for a moment the great differences between Latin and Germanic characteristics. It must be admitted that personally the two dictators have many traits in common, especially the love of theatrical effects and absolute self-confidence, although Mussolini, the more experienced and better educated of the two, possesses more of the qualities of a statesman. Broadly speaking, too, the aims of Fascism and National Socialism are similar: Mussolini aims at recreating a modern Roman Empire, Hitler at creating a German Empire. Each régime has embodied in its program some of the fundamentals of Commu-

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nism, and each has added to these the ingredients of nationalism, militarism and racism. In the present phase, their personal relationship is one of emulation and imitation.

In essence, however, Hitler and Mussolini are competitors for very much the same power and hegemony and therefore are potential enemies. Their alliance, though it has served each of them well — especially Germany — is not evenly balanced. Both partners have the same boundless ambitions, but whereas Germany thinks she possesses the force, actual or potential, to threaten the world single-handed, today or tomorrow, Italy knows that her resources allow her no such wild imaginings. She realizes that she must play second fiddle to her towering companion. The association is the uncomfortable one of a pedestrian alongside a man walking on stilts. The Berlin-Rome Axis will appear in history as an artificial alliance for temporary ends between two Powers with essentially competing interests.

At home Hitler's power of decision is not unlimited. The loyalty of the German Reichswehr to him in his capacity of Reichsführer and Reichskanzler is indisputable. Yet the Reichswehr certainly cannot yet be considered a National Socialist Army. On the whole, the army chiefs still retain their traditional Prussian spirit and ideals, and it will be some years before the boys of the Hitler Jugend attain the rank of colonels and generals and are in a position to break the old spirit and put that of National Socialism in its place. Until then Hitler's personal hold on the Reichswehr cannot be regarded as absolutely secure in any and every emergency. He was proved right in relying on its obedience even when, against its advice, he reoccupied the Rhineland, and again when in 1938 he annexed Austria and the Sudetenland. The Reichswehr approved of the dispatch of small detachments to Spain, for so German matériel and equipment could be tested under conditions of actual war. But would the Reichswehr approve the dispatch of an expeditionary force to support Italy in an attack on Tunis or Nice? Hitler cannot be sure.

In his Reichstag speech of January 30, 1939, Hitler openly admitted for the first time that Germany is suffering from serious financial and economic difficulties. To solve these difficulties, he said, production and export trade must be greatly increased, even at the cost of a trade war with Great Britain for markets. He added that this was not a matter of choice, but of life and death. Now it will be more difficult than Hitler indicated to rec-

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oncile an increase in the production of goods for export with a continued and simultaneous increase of armaments. Dr. Schacht's resignation showed that he did not think Germany could carry out such a program without the help of foreign money markets. But will the British or American democracies step in to save Germany's finances and enable her to continue the rearmaments which in turn impose on them such costly rearmament programs?

Hitler is also faced with a social problem. The National Socialist program calls for social reform on a vast scale, and he has accomplished much for the working class in the way of housing and schools, recreation, and care of mothers and children. His work in German political unification and in rearmament and his ventures in foreign policy allowed him to shelve temporarily other parts of his program. But, as the last free election showed in the spring of 1933, when Hitler was already Reichskanzler under Hindenburg, there were in Germany at least 6½ million Communists and 8 million Socialists, as well as numerous democratically-minded voters. Deprived of their leaders, terrorized and persecuted, these groups no longer constitute an effective opposition, and in fact many of them have apparently been swallowed up in the Nazi movement. But the bulk of them are still there. Long working hours (in some war industries as many as 70 per week), comparatively low wages, the continuous levies and so-called "voluntary contributions" for party aims and the *Winterhilfswerk*, are highly unpopular. The lavish expenditure on parades and the luxury in which some of the Nazi leaders live also provoke unfavorable comment. Hitler's frequent references in recent speeches to the debt of gratitude owed by the Third Reich to the working man show that he is making an effort to overcome this feeling. His internal policy may soon become still more radical and may include measures such as land reform at the expense of the great proprietors, seizure of church properties and a capital levy on big industrialists and the Junkers.

The period of Hitler's spectacular successes started in 1933. The meeting of the four Great Powers at Munich on September 29, 1938, might have meant more for him than the end of a very lucky chapter. He might have made it the occasion for opening a new chapter of peaceful diplomatic achievement. But he did not understand how great were his opportunities in this hitherto unexplored field of action. He missed the chance of a lifetime.

Recall how much he had just obtained and how spectacularly.

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The threat that he would start an aggressive war had been taken seriously and Great Britain and France had sanctioned his seizure of part of Czecho-Slovakia. He had been allowed to march triumphantly into a defenseless country, at the head of his troops, at the hour he had fixed. His prestige had never stood so high. Following two dramatic personal visits to him by the Prime Minister of Great Britain, Mr. Chamberlain and M. Daladier had flown to Munich at the eleventh hour to plead with the Führer for mercy and peace. Hitler was overwhelmed. He could never have hoped for so much. No higher or unexpected tribute to his vanity and power could possibly have been paid. According to his primitive understanding, this stupendous event demonstrated that he was almighty. Once more he had proved to the Reichswehr and to moderate National Socialist disciples like Marshal Goering that there was nothing to fear from democratic Europe, that he and von Ribbentrop again had rightly gauged the situation and won the day.

The world considered that Munich had saved it from war at the very last moment. As such the "settlement" was acclaimed a great success. There seemed every likelihood that it would be the preliminary to further conferences for the reëstablishment of European peace and confidence. The curious document signed by Chancellor Hitler and Mr. Chamberlain just before the latter left Munich was regarded both in England and in Germany as a mutual pact of non-aggression opening up a vista of German-British rapprochement and coöperation.

But within a few days Hitler made a speech in which he violently attacked certain British statesmen for having dared to criticize the methods which he and Mr. Chamberlain had used. He threatened that war might become inevitable if those statesmen should ever come into office. He attacked Britain's rearmament and her "governess attitude" towards the Continent. He again stressed Germany's colonial claims. All in all, his speech revealed clearly that Munich had in no way modified his methods. On top of it came a ruthless and officially organized Jewish pogrom. Apprehension once more gripped the world and showed itself in an intensification of the armament race.

The British and French Prime Ministers went to Munich out of dire necessity and as the logical consequence of twenty years of democratic defeatism. These two statesmen were partly responsible for their humiliation, but not solely responsible. The

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fault must be shared by those who over many years did many incongruous things simultaneously — *i.e.* made concessions to Germany without ever being really generous or really firm, failed to prevent German rearmament, were inefficient and parsimonious in maintaining their own armaments, palmed off responsibility for European crises onto an impotent League of Nations, and preached the theory that peace was divisible between Western Europe (where peace could and should be saved) and Eastern Europe (where peace could not and therefore should not be saved). Britain, insufficiently armed, could hardly be expected suddenly to seize the occasion of Czecho-Slovakia's acute peril to go to war with Germany, and no British cabinet could have hoped to persuade British public opinion that war in this special case was unavoidable when it had not been unavoidable when Germany illegally restored conscription, remilitarized the Rhineland in violation of the Locarno Treaties, and annexed Austria, whose independence had been guaranteed by a series of British Governments.

True, in going to Munich and later to Rome, Mr. Chamberlain probably was guided more by humanitarian instincts than by statesmanship. Be that as it may, the proof he gave of devotion to the cause of peace brought at least one chapter of British defeatism to its logical conclusion. The British people, and with them most of the civilized world, must by now realize that democracy has exhausted the possibilities for averting war by compromise and that from now on the entire and sole responsibility in decisions between war and peace must be borne by the dictators of the totalitarian Powers.

The tactical errors of Hitler and Mussolini prevented the Munich Conference from being the starting point for further peace negotiations. Meanwhile, Britain's decision to give immediate military assistance to France if she is attacked will intensify Germany's reluctance to assist Italy in securing control of the Mediterranean. This will tend to create discord between Rome and Berlin and may very well result in a competition between them for a rapprochement with Great Britain. The risk is that, in this very important psychological moment, the British Government will receive any "feelers" put out by either of the two totalitarian states too eagerly. In particular it would be fatal if Hitler and Mussolini gained the impression that out of his devotion to peace Mr. Chamberlain might be persuaded to try his

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hand at a Franco-Italian mediation. The slightest sign of weakness in Paris or London would be seized on by Hitler and Mussolini to recreate a pre-Munich situation. For years defeatism succeeded in postponing the risk of war by making its eventual arrival more and more certain. The great lesson of Munich should be that the era of postponements has come to an end.

Hitler's crudeness, which gave him so many successes, has ended by creating — or nearly creating, for as these lines are written the picture is still not clear as regards certain gentlemen either in Downing Street or at the Quai d'Orsay — what Bismarck always most feared: an almost universal anti-German coalition. Among the masses of the people this coalition is now, in the moral field, a tangible reality. It is the more dangerous for Nazi Germany and for Hitler's future career because it is a coalition on the grounds he himself chose — ideological grounds. World democracy, finally realizing its peril, is arming in earnest to defend the principles of freedom which make individual lives worth living.

No idealization of state totalitarianism, whether super-nationalist and racial as in the case of Hitler's National Socialism, or more nearly Communist as in the case of Stalin's Bolshevism, can ever be acceptable to free-minded human beings who have lived under a régime of law. It is one of the most interesting phenomena of Hitler's political activity that it has resulted in bringing about so soon such an overwhelming and unprecedented manifestation of defensive solidarity amongst the democratic peoples. It was their divisions and the defeatism of their leaders which made Hitler supreme. Woodrow Wilson tried to unite the postwar world in an idealism for which it was not yet ripe. It would be the height of paradox if Hitler, of all persons, were destined by his statesmanship finally "to make the world safe for Democracy."

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OUR NEW LONG SHADOW

By Hanson W. Baldwin

AS these lines are written Congress is considering a series of national defense bills which forecast the most dramatic changes in the American strategic picture since the Spanish-American War planted the Stars and Stripes in spots as wide-flung as Puerto Rico and the Philippines. Taken as a whole, these measures provide the greatest peacetime armaments program in American history. If the program is carried through substantially as planned it will go far toward putting our fighting services — particularly the Navy and our separate air fleets — on a permanent war footing. Nor can the tremendous strengthening of our national defense now proposed, and particularly the provision of new naval and air bases, be considered except as part of a revised and hardened foreign policy. To carry out that policy the United States will become one of the most strongly armed nations in the world and will cast its shadow across distant seas.

The total cost of the various projected measures of defense is unknown, and must long so remain. But even for just the fiscal year 1940 the total would be more than $1,500,000,000. The various bills which would provide this sum are separate and distinct, each with its own Congressional chaperon. They comprise not only the extraordinary legislation especially urged by the President to meet the present world crisis, but also the regular military and naval annual appropriation measures; and these latter in turn contain some extraordinary expenditures designed to meet special current needs. They are complex pieces of legislation, liable to considerable revision in detail before the Congressional debates are concluded. But it seems certain that their broad aims will be accepted and the bulk of the expenditures involved will be approved, with the possible exception of the Navy's proposal to establish an air base at Guam.

For the sake of simplicity, no attempt will be made here to deal with each piece of legislation separately. Rather, a broad picture will be painted of the principal aims which the President's recommendations and the implementing legislation as a whole seek to accomplish. This will be followed by an analysis of our new strategic position in the light of the projected changes.

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THE NAVY

In the early months of 1938 President Roosevelt suggested and Congress endorsed the further strengthening of the American Navy by a general increase in tonnage to the extent of 20 percent. The 1940 budget provides for the continuation of this program with the construction of ships and planes, both as replacements and as additions. The sum of $270,000,000 is provided (compared with $154,113,150 in 1939) for continuing the work on ships already started and for commencing work on two more battleships and eighteen other men-of-war.

The two battleships, each of 45,000 tons displacement, will be the biggest men-of-war ever built anywhere in the world. Each will mount nine 16-inch guns and have a speed in excess of 30 knots. They are interpreted as direct answers to reports, now generally accepted in Washington, that Japan is building two or more 40,000 to 46,000-ton monsters. The two new battleships will bring the total of American capital ships to 23, of which 15 are now in commission and eight are building or projected. In all, the new building will increase to 160 the number of naval vessels laid down since President Roosevelt took office, though of course it will not complete the unending task of maintaining the Navy once it is built, nor will it see an end of plans to strengthen the Navy still further.

The naval expansion bill passed by the last Congress directed that a naval board be appointed to inquire into the need for additional air, submarine, destroyer and mine bases. Accordingly a board headed by Rear Admiral Arthur J. Hepburn, former Commander-in-Chief of the fleet, conducted what was probably the most thorough survey ever made of the American need for bases. The resulting report suggested the construction of 12 new naval air bases or stations — mostly on Pacific islands — and a very considerable expansion of existing facilities at 13 other air stations. It urged the construction of six new submarine bases and the expansion of facilities at four other stations, and said that two destroyer bases and four mine and ammunition depots needed additional facilities.

Any such program as this would, of course, require billions of dollars to carry through. The Navy Department recognized that even in their present temper neither the American people nor Congress would be likely to endorse it. The Department, there-

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fore requested funds to develop or expand 12 air bases out of the 41 bases of all types itemized by the Hepburn Board. The expenditure involved was relatively modest — some $65,000,000 over a three-year period for *commencing* new plane base facilities at Guam, Wake, Midway, Johnston and Palmyra Islands; at Pearl Harbor and Kaneohe Bay on the island of Oahu in the Hawaiian group; at Sitka and Kodiak in Alaska; at Pensacola and Jacksonville (or possibly Miami) in Florida; and at San Juan, Puerto Rico. Preliminary surveys and small-scale dredging operations were started (in connection with commercial airline developments) at Wake and Midway last year. The other bases would be totally new, with the exception of those at Pearl Harbor, Sitka and Pensacola (the latter the training station for naval aviators), where existing facilities would be expanded.

The original bill was subsequently modified by the House Naval Affairs Committee to provide for the establishment of a small naval air station at Tongue Point, Oregon; the expansion of the air station at Hampton Roads, Virginia; and the construction of an aëronautical engine and materials laboratory at the naval aircraft factory at Philadelphia. And as passed by the House and sent to the Senate the bill omitted provision for the Florida base (pending further study as to the best site) and deleted the authorization for an air base at Guam. The Florida base seems likely to be dealt with later in a separate bill. As for the Guam project (discussed at length below), it is sure to awaken considerable debate in the Senate. But even if the Senate concurs with the House in refusing to sanction it, the plan will probably be revived in future years, for it has won the favor of many naval minds.

The appropriations for ship and plane construction now pending in Congress would be used mainly to continue a program endorsed by previous Congresses. If voted, the monies in question will not only modernize our Navy and should provide for subsequently adding to it at such a rate as would maintain our naval strength — barring a speed-up in the world naval race — at roughly the same ratio it bears to other navies today.

However, the replacement of old ships with modern ones, of old planes with new ones, does in itself make our Navy able to operate further away from its bases than formerly. Recent advances in marine engineering; greater economy of fuel consumption; the development of new and improved Diesel engines

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for submarines (which enable modern submarines to cruise from Tokyo to London and back without refueling); the improvement in the technique of refueling at sea; the use of planes able to patrol between 3,000 and 4,000 miles (planes able to do 8,000 miles are already in the factories) — these and other developments are giving a modern fleet, from the merely engineering point of view, a radius practically without limit. This remark would apply particularly to the two 45,000-ton ships projected in next year's construction program. With their great speed, great range and great power, these vessels — even acting alone — would be a strategical threat of some consequence in case we engaged in war. And their speed would enable them to escape from any superior forces with which they came into contact. Similarly, our new patrol planes will be characterized by long-range striking force.

It is the establishment of new bases, however, which is destined to have a dominating influence upon our strategy; for although the improvements produced by modern engineering are notable strategically in the sense that the limitations of fuel consumption are no longer of primary import, nevertheless the limitations of geography are still in operation. Thus 5,000 miles may be a small matter for a well-found ship, but the same 5,000 miles may prove fatal to a ship wounded in battle far from her base. Strategy is permanently affected, too, by enemy coast lines, narrow waters and mine fields. Possession of naval bases therefore still tends to give a fleet dominance over a certain adjacent area of ocean; and the area of predominance shades imperceptibly into the enemy's area of predominance the further one departs from one's own base and the closer one approaches the enemy's.

For these reasons, then, the proposals to establish or reënforce a number of naval air bases — taken, as they must be, against the broader background of the Hepburn report — represent a far-reaching modification of the American strategical picture.

Incomparably the most important of all the proposed bases is Guam. An American naval base there would alter materially the strategic picture of the Pacific. When the Hepburn Board discussed the Philippine Islands and Guam it touched on the basic problem of American participation in Far Eastern affairs. "The defense of the Philippines," it said, "involves matters of national policy which take precedence over the military problem involved.

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The military problem itself is one whose solution requires measures beyond any that could be recommended by this Board within the limits of its precept." And as to Guam it remarked: "The establishment of a fully equipped fleet base at Guam, capable of maintaining at least the major part of the fleet in all types, would in itself practically assure the impregnability of the island . . . a fleet base in Guam would provide for the security of our Asiatic Fleet in time of sudden emergency . . . a strong advanced fleet base at Guam, developed to the practical limits which the natural resources invite, would assure — 1. Practical immunity of the Philippines against hostile attack in force. 2. The most favorable conditions that could be brought about for the prosecution of naval operations in the Western Pacific . . . 3. The ability of the fleet to operate with greater freedom in meeting emergency conditions that might arise in the Atlantic."

The amounts provided in the legislation presented to Congress would make possible none of these things. Only $5,000,000 of it was earmarked for Guam; and of this $2,200,000 was to go for the construction of a breakwater; approximately $2,000,000 was for the dredging of Apra Harbor and the removal of coral heads to allow safe take-offs and landings by patrol planes; while the rest was for the construction of seaplane ramps and parking space, gasoline storage, a small power plant and necessary accessories. No submarine facilities at Guam were mentioned, nor was any provision made for the "advanced fleet base" or "fully equipped fleet base" discussed in the Hepburn Board's report. However, the testimony of Admiral William H. Leahy before the House Naval Affairs Committee and the analysis made by the Hepburn Board show that the Navy would consider this $5,000,000 only a start toward a larger objective. In fact, responsible officers in the Navy Department say quite frankly that they hope Guam will be fully and completely fortified "to the practical limits which the natural resources invite." They point out that it would be better not to initiate the project at all unless we were prepared to "go the whole way."

Ever since the signature of the Washington Naval Treaty in 1922 Hawaii has been the hub of our Pacific naval strategy. Lately we have realized the strategic importance of Alaska and the Aleutian Islands — near the Great Circle route to the Orient — in our effort to secure American predominance in the northeastern Pacific. Our naval forces, both surface and air, have

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manœuvred frequently in this area, operating from Sitka, Kodiak, Unalaska and other "cold front" points. The proposed bases in Alaska therefore will simply provide necessary facilities in areas where our fleet long has been operating and is clearly predominant, and will tend to strengthen our so-called "strategic triangle," the three apexes of which are situated in Alaska and the Aleutians, in Hawaii and in our west coast bases.

The proposal to expand the facilities on the island of Oahu, where Pearl Harbor is located, speaks for itself. Ford Island in Pearl Harbor has long needed certain specific improvements. These are now to be made, and an overflow base is to be provided at Kaneohe Bay, on the same island, to relieve the congestion at Pearl Harbor. But these changes will not remedy the two principal weaknesses of Hawaii. One, for which no adequate solution has yet been found, is its lack of self-sufficiency in foodstuffs; the other, which the pending legislation will do much to remedy, is the lack of advanced air bases in the surrounding islands.

The need of some sort of outpost at Midway Island, 1,149 miles northwest of Honolulu, began to be felt as soon as the increased range of the great flying boats made the flight from Pearl Harbor a relatively simple "hop." In some of the Navy's recent war games Midway has been set as the focus of action, with both sides struggling for its possession. There is no doubt that in the hands of an enemy Midway would expose Pearl Harbor to serious attacks from the air, and that this would diminish its value as a naval base. The same can be said of other islands which fan out from the Hawaiian Islands, especially Johnston Island, 810 miles to the southwest, and Palmyra Island, some 1,000 miles to the south. The development of these in accordance with the present modest recommendations (dredging, seaplane ramps, gasoline storage, etc.) ought to make Pearl Harbor immune to serious air attack. But the development of these new advance bases would do more than make Pearl Harbor secure; in conjunction with the projected development of bases in Alaska and the Aleutians it would enable our Navy to maintain a far-flung aërial and submarine patrol and establish more securely its predominance from Alaska and the Aleutians southward to the latitude of Panama and eastward from the International Date Line.

The proposed bases in Guam and Wake do not fall within this category. The developments which the Hepburn Board proposes to make at Wake, a rather isolated atoll 1,034 miles southwest of

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Midway, are so modest (facilities for a patrol plane squadron and a submarine division) that the Board evidently considers this island merely as a way-point to Guam. The arguments for developing facilities there stand or fall according as whether or not Guam is to be developed.

Guam lies 3,318 nautical miles west of Honolulu and 1,353 miles southeast of Yokohama. The report of the Hepburn Board and the testimony given regarding pending legislation show that the arguments for developing a base there are, in general, these:

1. It would be valuable as a "defense" for the American coasts and Hawaii.

Put thus, the argument can be reduced to absurdity. By the same argument, we should have bases at the North Pole, in Europe and Asia. What really is meant is that a base such as Guam would be invaluable for operations against Japan in case of war with that country. Indeed, this is exactly what the Hepburn Board says in more polite terms when it reports that "a strong advanced fleet base at Guam . . . would assure the most favorable conditions that could be brought about for the prosecution of naval operations in the western Pacific. . . ."

2. It is necessary for the security of the Asiatic Squadron in time of war and as a repair base for this squadron in time of peace.

This argument seems to the writer to be specious. Prior to 1898, our ships used the British facilities at Hong Kong. For decades the American Asiatic Squadron has been repaired in the Philippines. If we were to relinquish our base in the Philippines following the grant of independence to those islands, we would have little reason to maintain an Asiatic Fleet. If it continued in existence, our ships in time of peace undoubtedly could again use British drydocks at Hong Kong and Singapore, just as American ships in European waters have long used British facilities at Gibraltar. In time of war, the Asiatic Fleet could more easily retire southward towards the Dutch East Indies and Singapore and thence towards the immensity of the South Pacific and the Indian Ocean than it could retire toward Guam through the maze of Japanese-dominated islands surrounding that island.

3. It would "practically prohibit an invasion of the Philippine Islands."

If Guam could be transformed instantly into a fully-equipped and fully-fortified base this argument would be more convincing.

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The existence of a strong base there would undoubtedly act as a deterrent to any Japanese expedition to the Philippines. But its development would require years; the process might be viewed by Japan as a threat to her own vital interests and this might in itself induce war. Moreover, this argument for the fortification of Guam is predicated upon the premise that we shall retain our full interests in the Philippines and accept complete responsibility for defending them — a course not provided under existing legislation and one to which a large school of both military and naval thought is opposed. To this extent, then, the fortification of Guam would establish, indirectly but effectively, a Far Eastern and Philippine policy not in accord with the one which Congress and the President have so far seen fit to define.

The Navy claims that Guam, a mountainous, rugged island rising to 1,300 feet in height and with an area of 225 square miles, can be made "invulnerable." But nearly any place with naturally favorable physical characteristics like Guam's can be made more or less "invulnerable" (*i.e.*, very difficult to reduce) if one is willing to pay the price. In the case of Guam the price would be tremendous. The cost of the unfinished Pearl Harbor base and its defenses already has been in excess of $700,000,000. A major fleet base at Guam would probably cost at least as much, and even a defended submarine and air base would require a garrison of 12,000 men and would cost $227,000,000. Moreover, a base in Guam would almost certainly stimulate the Navy's appetite for the retention of the Philippines and an expanded base there; the Navy would then discover that it required a larger fleet to hold Guam, and the costs would pyramid.

In fact, Guam is at a disadvantage in many major respects which might make it less than "invulnerable" even after the expenditure of millions. For it lies behind a screen of the Japanese mandated islands — the Carolines and Marshalls to the south and southeast, the Marianas around it. There are some 1,400 islands in this Pacific "milky way," many of which have undergone harbor, port and landing field developments at the hands of the Japanese but which, so far as is known, are not fortified. Saipan, one of the best natural bases in the Japanese Marianas group, lies only ninety-one miles from Guam; the naval base of Amami-Oshima lies on the route from Guam to the Straits of Tsushima; Wotje (with a Japanese seaplane base) is southeast of Wake Island; Japanese Jaluit, Kusaie, Ponape, Truk, Palau, and

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Yap — all strategically important and either developed or susceptible of development for naval use — are not far off, as Pacific distances go. And even Japan proper is only some 1,300 miles away.

Guam fails to fulfill Admiral Mahan's definition of a first-class naval base. Its geographical situation — an exposed salient in the midst of enemy "territory" — is unsound. It has a civilian population of 21,000, a liability in case of a siege or blockade. It is not self-sufficient and lies more than 5,400 miles from its main American source of food supplies, ammunition, etc. Above all, it is extremely vulnerable to air attack. To be adequate, a naval base must be reasonably secure against continuous bombing attacks from the air; otherwise ship repairs and other similar activities are impossible. But American planes operating from Guam would have to attack dispersed targets (in the form of enemy air bases) on a number of Japanese islands; whereas Japanese planes operating against Guam could center their full attack on a single target.

American influence in the eastern Pacific is already secure, and will be made even more so by the other bases now to be developed. The development of Guam as a strong base would, in the writer's eyes, seem an adventure into what has recently been a sphere of Japanese naval predominance. The idea of "Hemispherical Defense" would have to be modified and replaced by a new, more far-reaching formula for "defense" in harmony with a new phase of foreign policy. In other words, the naval development of Guam would definitely commit us to participate in the problems of the Orient.

The bases projected in the Atlantic-Caribbean area do not carry any such grandiose implications. The Caribbean is already, to all intents and purposes, an "American lake." The projected main air base in Florida will be able to care for two to four carrier groups comprising from 150 to 300 carrier-based planes, and from three to six patrol plane squadrons comprising 36 to 72 flying boats. It will back up the proposed outlying base in Puerto Rico, key-spot of the Caribbean, which is to accommodate from 72 to 100 carrier-based planes and from 24 to 48 patrol planes. In conjunction with the already established naval and air activities at Guantanamo Bay in Cuba, at St. Thomas in the Virgin Islands, and at Culebra Island east of Puerto Rico, these developments will consolidate our hold on the Caribbean and further safeguard

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the eastern approaches to the Panama Canal. Even more important, the facilities of the Florida base and of the projected air base in Puerto Rico and of that already established at Coco Solo in the Canal Zone (which the Hepburn Board would like to expand) will enable us to use our sea and air power more effectively in the South Atlantic and in South American waters. In addition, our fleet's use of the Dutch island of Aruba and the British island of Trinidad as bases in its recent manœuvres indicates that other facilities might be available for our forces in the West Indies in case of war. These developments would harmonize with our formula for "Hemispherical Defense" and would give it concrete expression. And the Monroe Doctrine would be provided with new possibilities of effective implementation.

THE ARMY

If the pending bills are approved, the Army will have its biggest legislative year since the World War. The regular annual appropriation bill of about $462,000,000 submitted by the War Department has already been revised, as this is written, to allow the expenditure (including contract authorization) of about $540,000,000 in the next fiscal year. In addition, it is proposed to make extraordinary appropriations of about $450,000,000, to be spread over two years. The bulk of this extraordinary appropriation, namely the sum of $300,000,000, would go for the purpose of adding about 3,032 planes to the Army's authorized plane strength. That strength would thereby be raised over a period of two years to 5,500 or 6,000 planes, about 2,163 of which, under present plans, would be kept in reserve with no trained personnel to operate them. This sum of $300,000,000 would also provide funds for barracks and other equipment at new Army air bases in Puerto Rico, Panama and Alaska, and in the northeast and southeast sections of the United States (where the Navy, incidentally, is also planning or already has established air bases). It also would provide for maintenance and research, the purchase of bombs and training of new pilots. In all, there would be an increase of 2,334 regular officers and 31,079 enlisted men in the Air Corps, bringing it up to a total strength of 4,663 officers and 44,537 enlisted men. The strength of the Army as a whole would be increased to about 220,000 officers and men, as compared to about 180,000 today.

Further monies would be allocated "for educational orders to prepare industry to meet, on the outbreak of war, with a

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minimum of delay, the urgent demands for munitions of a non-commercial nature." About $27,000,000 would go for an increase of 6,400 men and 180 officers in the garrison of the Panama Canal Zone (bringing the troops stationed there up to 21,000). The sum of $6,539,287 would go for coast defenses at Panama, Hawaii, and in the United States. The sum of $110,000,000 would provide modern equipment, including 37 mm. anti-tank and anti-aircraft guns, semi-automatic rifles and gas masks, for most of the units of our Regular Army and National Guard, known in our mobilization plan as our "I.P.F." or Initial Protective Force. These plans of the Army do not appear to affect American military strategy so fundamentally as do the Navy's plans for new bases and new ships.

Nevertheless an Army of 220,000 men, with an air force of 5,500 army planes,[1] is really more than seems dictated by sound requirements of home defense. If we add the Navy's 3,000 planes, we see that the United States is scheduled to have 8,500 planes by 1944. Now there is no readily apparent way in which such a mass of planes can be used effectively to defend our own continental borders. No air threat of comparable magnitude can arise against the United States in the near future, or even against any part of the Western Hemisphere. Hence the supposition that part of the planes in question might be considered not so much as a reserve for the defense of our own territory but as a possible pool out of which British and French air fleets might be replenished in case war comes in Europe.

If the planned improvements and enlargements are judiciously made, and if a considerable proportion of the new planes are long-range bombers, the United States Army will find itself considerably better able to defend South and Central America, Canada and Mexico against external invasion than is the case at present. Most particularly, the Army should be better equipped tomorrow than today to dispatch an expeditionary force in case of need either to some part of Latin America or to our island possessions. However, there is as yet nothing in the announced program to indicate that the small, mobile, flexible, highly-trained, thoroughly-equipped and instantly-ready American Army (a sort of American *Reichswehr*) which so many have advocated is on the way to becoming a reality. Rather, our military policy still looks toward the creation by volunteer enlistments and conscription of a huge mass army after M-Day — an army of which the first

[1] The greater part of the increase in personnel is necessitated by the increase in plane strength.

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1,000,000 of our Protective Mobilization Plan will serve merely as the nucleus. That sort of a mass army could not be used effectively in defense of our coasts. Thus the current improvements, though adding a certain mobility to the Army, on the whole do not modify but only implement our existing wartime plans, which are predicated on the idea that our troops might in some contingencies have to be used outside the borders of the United States.

The improved defenses envisaged for the Panama Canal should go a long way towards making our important link between the two oceans practically invulnerable. The project includes construction of a third set of locks for the Canal, a cheaper alternative (upon which official opinion has now settled) to the digging of a Nicaraguan Canal. Execution of the Army's projects in Panama and the Navy's plans in the Caribbean will facilitate our "two-ocean" plan of naval defense, in which the interior line of the Panama Canal plays such an important — though not vital — part.

CONCLUSIONS

If the pending naval and military plans are for the most part adopted, and if they are implemented by fiscal appropriations both now and in the future, they will consolidate the American hold on the northeastern Pacific and the Caribbean. If the plans adopted include the Guam project, that would mark the beginning of an attempt to extend our area of dominance into Japanese spheres of influence in the western Pacific.

The pending measures do not provide certain security for the Philippines (or for Guam) and do nothing to enable our Government to maintain the "Open Door" in China. But there can be no doubt that our resulting military and naval air forces, plus our fleet, backed up by a strengthened coastal defense system and a modernized army, will make any foreign use of force against the continental United States or its possessions as far west as Hawaii and as far north as Alaska an extremely risky undertaking. Any invasion of our borders in force, even by a combination of Powers, becomes virtually impossible in the foreseeable future.

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JAPAN AT WAR

By William Henry Chamberlin

WAR is a sure generator of social change and not infrequently a prelude to revolution. How has Japan stood the strain of eighteen months of a conflict which, as its leaders repeatedly remind the people, is by no means ended and may assume much larger proportions if the Soviet Union should come to China's aid?

I think the first impression of any visitor to Japan is — for a country at war — one of calm and normality. The outward aspect of the Tokyo district where I live has not changed. At the New Year holiday season the customary decorations of small pine trees and Japanese oranges appeared at the gates of houses, while children, apprentices and serving maids played battledore and shuttlecock in the streets. The small shops, so amazingly numerous in Tokyo, carry on as usual; it is much harder to obtain imported goods, but the stocks of native vegetables and fruit and cheap manufactured goods seem to be as abundant as ever; there are no queues and no ration cards for daily necessities.

Similarly, a recent visit to a village some thirty miles from Tokyo at first sight revealed nothing out of the ordinary. The farmers were carrying on seasonal work in their fields and farmyards. It was only when one got beneath the surface by going into houses and asking questions that one realized how the war had affected this particular community. Out of a district (including several villages) with a total population of 4,500 persons, 150 had been mobilized and eight had been killed. And the villages, like the towns, were suffering inconveniences, though no downright hardships. There was a lack of salt, for instance, for pickling radishes. And there were complaints about low prices offered for the compulsory requisitions of hay and sweet potatoes for the Army. Inconveniences in the cities are a lack of materials for house repairs, deterioration in some manufactured goods because of the enforced use of staple fibre and other homemade substitutes, terrific overcrowding of busses and almost complete disuse of private automobiles because of gasoline restrictions.

Taken by and large, however, the average Japanese so far has suffered less than the average Russian suffered during the first Five Year Plan. This I can say with reasonable assurance as an

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eyewitness in both countries. And I doubt whether strain and tension are greater in Japan today than in Germany and Italy.

At the same time, the war has exerted a profound and significant influence on Japanese politics, economics and ways of thinking. On the political side its most obvious effects have been the cementing of the Army grip on state affairs; the eclipse of the remnants of that degree of liberalism which characterized Japanese politics during the twenties; and a further diminution in the already shattered prestige of the political parties.

The instrument of Army control over governmental policy is the National Mobilization Act, which was passed last spring without a dissenting vote although not without a good deal of futile criticism by liberal members of the Diet. It gives the Government wide and sweeping powers to expropriate property, to forbid strikes and lockouts, to control every detail of production and foreign trade, to issue ordinances on almost any subject without reference to the Diet. Its last nineteen articles bristle with penalties of fine and imprisonment for individuals who violate any provision of the law or betray mobilization secrets. The tendency has been to invoke its articles piecemeal; but the whole Act will most probably soon be in effect.

The resignation last autumn of the moderate General Kazushige Ugaki, Minister of Foreign Affairs after the sweeping reorganization of the Konoye Cabinet in May, is another indication of the decisive influence of the fighting services. Ugaki had been denounced in military, naval and extreme nationalist circles as "pro-British" and "weak-kneed" because of the conversations which he had carried on with the British Ambassador, even though these conversations led to no satisfaction of such British grievances as the closing of the Yangtze to non-Japanese shipping, the nonpayment of interest to the British creditors of Chinese railways now being operated under the direction of the Japanese Army, and the continued Japanese military occupation of part of the International Settlement at Shanghai.

The establishment, under the presidency of General Heisuke Yanagawa, of the Asia Development Board, as a coördinating agency to supervise all Japanese activities, except diplomatic, in China, is another step toward military domination of Japan's new continental empire. There has been a good deal of complaint in the past that Japanese military leaders, consular officials and businessmen sometimes act at cross-purposes.

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The eclipse of liberalism in Japan is in part a matter of prudential necessity. Since the beginning of the war there have been hundreds of arrests of suspected radicals and pacifists. Probably the best-known figure among those in prison for more than a year, awaiting trial, is Kanju Kato, Left-wing political and trade-union leader. Anyone who openly criticizes the war must expect a similar fate. The silence of such men as Yukio Ozaki, one of the oldest members of the Diet and one of the most consistent liberals in Japan, and Toyohiko Kagawa, the internationally famous evangelist and organizer of coöperatives, does not necessarily imply agreement with the present course of affairs.

But, as always happens in wartime, there has been a swing toward 100-percent nationalism on the part of some of Japan's former Leftists and internationalists. Stories of repentant Communists and their deeds of valor at the front are perhaps a little overdone for propaganda purposes in the Japanese press. But the swing from violent social discontent to violent nationalism, from faith in the mystical destiny of the proletariat to faith in the divine mission of Japan is psychologically not very difficult.

I recently discussed the war with a Japanese friend whose viewpoint before its beginning would have placed him among the liberals, if not the radicals. And what he said, I think, was of more than personal significance; it reflected the outlook of a fairly large number of Japanese intellectuals: "Whatever we may think of the war in China from a theoretical moral standpoint, we are in it; there is no way of turning back. And we must recognize two things. The war has demonstrated Japan's right to be considered a Great Power and has given our heavy industry a scope and pace of development which will be important in future years. Moreover, some of the objections which we liberals formerly raised against a strong policy in China — the danger, for instance, of vigorous opposition from the Western Powers — tend to lose their force in the light of actual events."

There is no labor or Socialist opposition group in the Japanese Diet today. The one party which might have seemed cast for this rôle, the Shakai Taishuto, or Social Mass Party, which had been gaining in electoral strength on a program of moderate Socialism and anti-militarism before the war, has experienced a drastic change of orientation. There had always been a minority in the party, headed by the secretary, Mr. Hisashi Aso, which had favored coöperation with the Army, on the ground that the young

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officers were sincere revolutionaries, opposed to capitalism, and that the Army was the only instrument through which social change could be brought about. This minority has now become the majority. Its opponents are silenced, if not convinced. And the Social Mass Party has gone well ahead of the two large traditional parties, the Seiyukai and the Minseito, in playing up to the Pan-Asian spirit of the Army. It has superimposed on its original demands for social reform the familiar nationalist phrases about freeing the Eastern peoples from the yoke of Western capitalism, promoting Japan's advance on the continent, etc. The Social Mass Party and the Tohokai, a smaller group in the Diet headed by Mr. Seigo Nakano, an avowed admirer of Hitler and Mussolini, are prepared to support the Army even more whole-heartedly than the Seiyukai and the Minseito, which are more closely connected with business interests that feel the pinch of the increasingly restrictive legislation in such fields as capital investment, disposition of profits, foreign trade and foreign exchange.

The Diet today chiefly functions as a forum for the ventilation of popular grievances. Concerted opposition to the Government in this period of wartime emergency is unthinkable. But a deputy from some fishing district will stand up and wax eloquent about the difficulties of his constituents in obtaining proper material for making and mending their fishing nets. A representative of Osaka will dwell on the distress of the cottage industries, cut off from a normal supply of imported raw materials. Or a deputy from a farming community will speak of rising prices of city commodities and shortage of horses.

Of course even this trickle of criticism would be stopped if an authoritarian one-party system were set up. There have been occasional trial balloons and rumors of such a change; but nothing positive has developed. Indeed one of the reasons for the fall of the Konoye Cabinet was the zeal of its Home Minister, Admiral Nobumasa Suetsugu, for "reconstruction" of the Government along one-party lines. It is baffling to the outside world but characteristically Japanese that two other factors making for Konoye's resignation were his chafing under Army dictation and the increasingly difficult position of his Finance Minister, the eminent financier and former managing director of the House of Mitsui, under the fire of criticism from military extremists. Japanese political changes almost never assume the form of purges, of clearcut swings of the pendulum. They are almost

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always blurred compromises about which it is uncommonly difficult to write headlines that are at once incisive and accurate.

There are checks and balances in the present Japanese political system which would not be compatible with a Fascist régime. There are still some moderates in high places, such as the Lord Keeper of the Privy Seal, Kurahei Yuasa, and the Minister of the Imperial Household, Tsuneo Matsudaira, a diplomat of long experience both in London and in Washington. The counsel of the venerable Genro, Prince Kimmochi Saionji, is sought from time to time, and he is also an influence against extremism. To be sure, there is little of a positive nature that these moderates can achieve under present conditions. But they can occasionally block some especially reckless measure or unwise appointment.

While Japan has been touched by the world-wide sweep of Fascist ideology and has an understanding, if not an alliance, with the two leading European Fascist countries, an outright adoption of the European Fascist pattern of government does not seem probable. Two essential ingredients, a leader and a party, are lacking. The Army fulfills some of the functions of a Fascist party. Its recruits receive heavy doses of "political education;" and the Army and Navy Press Sections issue pamphlets recommending a system of military state socialism, or at least highly regulated capitalism, as the cure for Japan's economic ailments. But by its nature an army is not the equivalent of a mass civilian party. And Japan's military leaders, with few exceptions, prefer their present status of power without responsibility to the risks of formally taking over the entire state machine.

It is perhaps too widely believed abroad that the Army's hold on Japan is purely a matter of machine guns. This is only part of the picture, just as the repressive aspects of European dictatorships do not fully account for their maintenance of power. The seizure of Manchuria in 1931 (and the present war is only the inevitable sequel to this seizure) was Japan's equivalent of a Bolshevik or Fascist revolution. It is no accidental coincidence that this forward thrust on the continent, with the unilateral renunciation of the self-denying provisions of the Nine Power Treaty, occurred at a time when Japan's economy was at an extremely low ebb, when unemployment among manual and white-collar workers was widespread, when the farmers were crushed beneath the double load of falling prices and mounting debts. The Army showed a way out of depression. To the dis-

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couraged graduate engineer unable to find employment in Japan it offered the prospect of supervising railway construction in Manchukuo. To the young farmer, chafing in his village with too many people for the available land, it held out the possibility of settlement in the fertile valleys of Northern Manchuria. To the industrialist, big or small, worried by loss of orders, it suggested the vista of rich new markets open primarily for Japanese goods. To the people as a whole, distracted with disturbing new ideas and habits, it proposed a combination of old-fashioned nationalist faith with new-fashioned economics.

In the foregoing paragraph there is an element of deliberate over-simplification. No military leader in 1931, in all probability, thought out all these implications of the overthrow of the Chinese Manchurian leader, Chang Hsueh-liang, just as it is highly improbable that Adolf Hitler, in the moment of his first success in 1933, foresaw Berchtesgaden and Godesberg and Munich. And acceptance of the Army's program has been instinctive rather than conscious. But the point that the Japanese Army is not a static but a dynamic force with a program of social and economic change that may be called revolutionary should be recognized.

Moreover, the Army is by no means devoid of a sense for playing politics. Whenever business and financial circles protest against some new restriction on their freedom of initiative, an Army spokesman is quick to denounce them as heartless and grasping and to present the Army in the rôle of the defender of war widows and orphans and of the poorer classes generally. That there might have been no widows and orphans if the Army had pursued a different policy is a "dangerous thought" which may occur privately to some Japanese, but which has made little visible headway. Such class division as exists in Japan tends to take the form of country-against-town, and many peasants look on the younger officers, with their proverbial social radicalism, as their champions against city bankers and capitalists.

The war has affected various classes in various ways. Skilled laborers in munitions factories are earning in some cases as much as two or three hundred yen a month, a high rate for a country where the average daily wage of a male worker is about 2.30 yen, of a woman about 80 sen. An era of full employment has also opened up for graduates of universities and technical schools. On the other hand, there is a good deal of distress in small home industries. It has been estimated that some 1,300,000 persons are

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likely to be unemployed as a result of the curtailment of peacetime industries.[1] Some of these new unemployed will be absorbed into the munitions industries; the elastic family system will take care of others; roadbuilding and flood prevention public works will also be instituted, with relief as an incidental object.

The Japanese countryside is normally so overcrowded that the withdrawal of the farmers' share of the million and a half or two million men who have been called for military service (all estimates on military figures in Japan are conjectural, in view of the strict secrecy which is maintained) has not yet caused any serious decline in production. The rice crop of the present year, according to official estimates, was 2.3 percent below last year's, but 3.2 percent above the average for the last five years. There is still no indication of any food shortage. The farmers, however, are suffering because the prices of the articles they consume are rising faster than those of their own products.[2]

The war, in which Japan has received — and probably will receive — no financial help from abroad, poses for her two major economic problems: how to ward off serious inflation, and how to keep a balance in international payments.

Japan has been paying for the war almost entirely out of the proceeds of internal borrowing. Budgetary stability has been unattainable since the occupation of Manchuria. Since the beginning of the war in China deficits which had been running to hundreds of millions have been reckoned in billions of yen. The national debt on the eve of the Mukden "incident" was about six billion yen. By September 1936, it had reached ten billion. The figure of sixteen billions was passed in December 1938, and a debt of over twenty billions may be anticipated, on the basis of prospective appropriations, before the end of the fiscal year ending April 1940.

The total emission of "China Incident Bonds" up to the beginning of 1939 amounted to 5,630,500,000 yen. If we add the sum of 400,000,000 yen which was raised by taxation to cover war expenses, we find that the cost of the war up to the end of 1938 is roughly six billion yen, nearly $1,650,000,000 at current rates of

[1] It is noteworthy that the total index of Japanese industrial production shows a negligible increase (from 167.3 to 171.2) between the first half of 1937 and the first half of 1938, although the war output grew very substantially during this period. There was, therefore, a considerable reduction in peacetime production.

[2] Between 1936 and 1938 the index of farm prices rose from 102.4 to 117.9; the index of commodity prices from 101.2 to 140.

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exchange. Japan has been operating on the basis of a double budget — an ordinary budget to cover regular administrative expenses and a special war appropriation. Last year the regular budget was fixed at 3,514,000,000 yen, of which 1,008,000,000 had to be raised by means of loans. The war appropriation was 4,850,000,000 yen, of which all but 400,000,000 was covered by bond issues. The budget for 1939–1940 has been set at 3,694,000,000 yen, of which 809,000,000 will be raised by new bond issues, while the war estimates, not yet announced, will probably be in the neighborhood of five billion yen.

Despite these massive deficits, which would make a Victorian Chancellor of the Exchequer throw up his hands in despair, there are not so many signs of inflation in Japanese financial life as one might expect. Official statistics, which may lag somewhat behind the realities of the situation, show an increase of a little less than ten percent in the cost of living since the beginning of the war, together with an increase of about 17 percent in the retail price level. The amount of currency in circulation rose by almost 14 percent during 1938. Such an increase is a warning signal, although Japanese financial authorities maintain that it is not abnormal in view of the great increase of industrial and transportation activity which has resulted from the war.

The Finance Ministry professes confidence that Japan can carry its increased load of debt with no more serious consequence than a moderate rise in the general price level. It contends that the new funds raised by state borrowing have revolved and will continue to revolve within a very narrow circle. The money which the Government raises by selling bonds to the banks is largely paid to firms manufacturing war supplies or furnishing shipping, transportation and other war services. These firms, in turn, it is argued, put their surplus funds back in the banks, which are thus enabled to purchase more bonds.

It is perhaps questionable whether the process goes quite as smoothly and painlessly as this explanation would suggest. A recent issue of *Asahi* noted that the Bank of Japan, the primary agency for selling bonds, was left with 1,615,000,000 yen worth of new loan issues on its hands, a record figure, despite the fact that "the investing power of the banks in Government bonds has been mobilized almost to the limit."

It is feared that awkward goods shortages may appear because of the discrepancy between the higher wartime wages and the

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slowing down in the output of many consumption goods industries which are short of raw materials. Anti-profiteering and price control ordinances have been put into force, adding more to the bureaucratic scaffolding which surrounds the Japanese industrial structure. There is also an intensive campaign to promote popular investment in state bonds, with a view to taking out of circulation as much surplus money as possible.

The chances are that Japan will not experience shipwreck because of its lavish issue of war loans. The experiences of the Soviet Union, of Germany and of Italy show that a system of rigorous state control over economic life makes practicable more flouting of the laws of normal finance than orthodox economists have regarded as possible. If the weight of the debt becomes too crushing, a government armed with wartime dictatorial powers could reduce it by drastic devaluation of the currency.

More serious, I think, is the problem of meeting those foreign payments necessary for the prosecution of the war. In normal times Japan has a delicately poised balance of international payments. An unfavorable visible trade balance is compensated by such invisible items as receipts from shipping and tourist travel. As a result of the war, both visible and invisible exports are inevitably shrinking. Imports have been cut to the bone and 1938 trade figures up to December 20 show a favorable trade balance of 50,000,000 yen. Imports are down in comparison with 1937 by 29.6 percent and exports are down by 13.8 percent. But the impression of a favorable trade balance, with consequent relief for the foreign exchange situation, is deceptive. For statistics up to November 30 show that Japan's exports to "yen bloc countries," such as Manchukuo and North China had increased by 46.8 percent, by comparison with the first eleven months of 1937, while exports to other parts of the world had declined by 34 percent. The yen bloc countries give Japan no currency which is acceptable in international exchange (except for a small surplus in Manchukuo's foreign trade with other countries besides Japan). And the unfavorable balance of trade, omitting the yen bloc countries, was 495,000,000 yen up to the end of November.

There are several reasons for this decline in exports, the first which Japan has experienced for many years. Some factories are being diverted from production for export to production for war. Industrial costs are rising because of the scarcity and high prices of many raw materials; this endangers the cheapness which is the

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main selling point for Japanese goods in foreign markets. Boycott movements add their share to Japan's foreign trade difficulties. Invisible exports are also declining because tourists are avoiding Japan and many ships which would normally be earning foreign exchange on commercial routes are being used as transports.

Japan has been compelled to throw a considerable part of its meagre gold reserves into the scale. Between August 1937 and July 1938 it shipped to America gold valued at $254,000,000. This resource, according to the best available estimates, is now coming to an end. The Government has at its disposal little if any gold apart from the 501,000,000 yen maintained as a token currency reserve and the 300,000,000 yen earmarked as a revolving fund to stimulate exports. Loans from this fund are granted to manufacturers who need imported materials to make export goods. Except for newly mined metal (the value of which is kept secret but is generally estimated at from 15,000,000 to 20,000,000 yen a month) exports of gold are almost ruled out for the future. The Japanese Government is therefore trying to pay the foreign expenses of the war by starving domestic consumption of imported raw materials. Such goods as cotton, wool, steel, copper, lead, tin, rubber and leather are entirely, or nearly so, reserved for the needs of the armed forces and of the export trade.

People are urged, and in some cases compelled, either to go without manufactured goods or to accept homemade substitutes. Leather shoes are giving way to getas, or wooden clogs. Just as in Germany and Italy, there is a feverish hunt for domestic substitutes for imported materials. The use of charcoal as a fuel and the mixture of alcohol with gasoline are encouraged, and there are more or less fanciful suggestions about the use of shark skin and whale skin instead of leather.

So a survey of Japan's economic horizon reveals many clouds. But I strongly doubt whether these difficulties, serious as they are, portend a speedy collapse of the war effort. It is remarkable on how little an individual can live when he is overtaken by misfortune. And a nation's economy, like an individual's, possesses more elasticity than one would suspect in advance. There still are foreign securities held by Japanese firms and subjects which could be mobilized as a last resort. More gold could be scraped out of private hoards if the Government launched a severe drive. The economy screw could be turned in many places without producing unendurable hardship. Japan's regulations about taking

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money out of the country are still more lenient than those of many European nations. The big campaigns in China are apparently ended and expenditure during 1939 may slacken off.

The conflict in China has demonstrated both the strength and the weakness of Japan's war economy. Its strength is selfsufficiency in food. Foreigners in Japan may miss luxuries and comforts, but the Japanese masses are not likely to feel any pinch of hunger so long as sea communications with nearby Korea, Manchukuo and Formosa are maintained. Its weakness is a complete lack of several important materials and a serious shortage in others. This weakness makes Japan theoretically vulnerable to sanctions. A concerted withholding of such key commodities as oil, scrap-iron, copper, lead, nickel and rubber would not yield immediate results because the military and naval authorities have laid in stocks of such vital supplies. But a prolonged blockade would cause great industrial dislocation and might finally bring the continental adventure to an unsuccessful end.

Sanctions, however, could not be applied safely without taking full measures for the protection of the oriental possessions and dependencies of the participating Powers. For it is hardly likely that the Japanese Army and Navy would bow to economic pressure from other Powers and accept defeat without a struggle. It is far more probable that they would strike out desperately for the Netherlands Indies, French Indo-China, the Philippines, Malaya — any places within naval range which could provide the necessary iron, oil, rubber, tin. Economic sanctions cannot be considered a safe and easy halfway house between neutrality and war Weak sanctions will scarcely prove effective: a nation keyed to war pitch will find means of evading or overcoming them. Strong sanctions, in all psychological probability, will lead to war.

Does the war make revolution in Japan inevitable? Much depends on the definition of the word "revolution." There is no sign of any popular revolt against the war. There have been no preliminary symptoms, no mutinies, no strikes or riots. And experience shows that a powerful stimulus is needed, either overwhelming defeat in the field or widespread hunger, to cause a popular rebellion when a nation is in the strait-jacket of intensified military and police control which war always brings. Japan stands in no visible danger of either of these contingencies.

On the other hand, the war will inevitably bring about im-

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portant political, economic and social changes. What form these changes will assume depends very largely on what the issue of the war may be. I think there are three broad possibilities if one takes a fairly long-term view of the future:

1. Japan wins, proves stronger than China in the economic endurance contest which seems to be taking the place of large military operations; defies with impunity the protests of Great Britain and the United States; and establishes its hegemony, in one form or another, over a large part of China. In this case the grip of the Army on the state would be strengthened. There would be an adaptation to Japan of Fascist ideas and institutions, although the creation of an outright Fascist system, for reasons already outlined, does not seem probable.

2. The war ends in some kind of draw or compromise. Japan holds its own on the military side, but finds it impossible to exploit the occupied areas economically. The economic strain becomes too severe; much of China remains unconquered; the attitude of America and Great Britain becomes increasingly hostile. Under such circumstances it is not impossible that the moderate statesmen in Japan, now very much in the background, might regain their lost influence. A settlement might then be worked out which would give Japan some concessions that could be held up to the people as fruits of victory, but which would leave China a sovereign state and safeguard Western economic interests. In this event some return to the now discarded and condemned tenets of political and economic liberalism in Japan might occur.

3. Japan is decisively defeated. Japan overestimates and overtaxes its strength, becomes involved in war with the Soviet Union, with the Western Powers, or both, and goes down to defeat after a desperate struggle of attrition. The effect of the defeat would be all the more stunning because of the general popular Japanese conviction that Japan's Army and Navy are invincible. I doubt whether the best informed student of Japan could predict what form the reaction to such a defeat would take. Organized Communism is weak in Japan; it has been driven so deeply underground that even the police experience difficulty in finding traces of it. The first shocks of social upheaval would probably be unorganized, spontaneous, like the rice riots after the World War. The movement of social revolution would crystallize later, possibly along Communist lines, more probably in some form more compatible with Japanese tradition and psychology.

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THE TWO "G's"

Gestapo and GPU, Phenomena of Modern Revolution

By Balticus

EVERY revolution in its moment of triumph creates a vacuum. When victory is attained the mass passions that won it begin to flatten out. After running an abnormally high temperature, the masses start running an abnormally low one. Under many disguises the counter-revolutionary desire for normal quiet, for a *juste milieu*, begins to appear. In this anticlimax the revolution reaches its end.

Such was the pattern of the French Revolution of 1789; and since then every full-fledged revolution was supposed necessarily to follow it. This year is the hundred-and-fiftieth anniversary of the *Grande Révolution*. A generation ago a jubilee article would have prophesied that any great future revolution would follow the accepted pattern. Meanwhile, however, the classical methods and course of revolution have changed. We see today that the new ones are as different from the old as our modern wars are different from those of Alexander or of Moltke.

The years 1789–1794 furnish the model of the primitive type of revolution. What happened then was merely a fragment of the modern revolution — the dramatic, explosive, self-destructive stage inherent in all revolutions, primitive or modern. The three great revolutions of our day have been described over and over again. But too little thought has been given to the essential traits common to all three. The fact is that our age has had the doubtful honor of creating the type of full-grown revolution for the first time in history. These modern revolutions possess much longer breath. The energies of earlier revolutions were spent after the institutions, persons and symbols against which they had been invoked had been overturned and replaced. But the mass movements of today cut much deeper. Their programs are much more ambitious. And their prophets demand much longer periods — longer than their own lifetimes — to put them into effect.

Therefore after the first subjective and passionate stage there begins in modern revolutions an objective and bureaucratic stage. In fact, no word is more characteristic of contemporary revolu-

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tions than this sober word "bureaucratic," out of place as it may sound in this connection.

The leaders of the *Grande Révolution* had only abstract and nebulous ideas as to what the "morning after" would be like. But in our generation, which feels stifled by its vast social and economic problems, revolutions are started by daring men precisely in order to deal comprehensively with those problems. They think of the first stage of their revolutionary ascent as merely a necessary preliminary. But then they find that if they are to avoid chaos they cannot dispense with many of the inherited institutions and conditions of life. They may despise and disdain them, they may attack them whenever they feel able; but they must accept them as the material out of which they will have to build their new structure. This, in a way, makes the leaders stronger, but it also creates new dangers for them. Huge and complicated modern problems cannot be solved by the spontaneous action of passionate masses. The vacuum which appears after the first passions are spent may be salutary: it offers a chance to get rid of the excited crowds. But at the same time this anticlimax deprives the men at the top of precisely the revolutionary energies which put them there. In the second stage, the revolution must be very prudent in the use it makes of these forces. It must rely mainly on virtues of a different sort. And meanwhile the new masters will have been forced (or perhaps have rashly volunteered) to shoulder responsibilities for general prosperity and well-being to an extent never imagined by their predecessors.

A high Bolshevik of the 1924 vintage is reported once to have said: "Since 1920 we have many times discussed amongst ourselves the problem of the 9th Thermidor." This date is most important for the subject of this article. The 9th Thermidor — the arrest of Robespierre — that was the end of the *Grande Révolution!* Primitive revolutionaries like Robespierre and St. Just utilized the grandly-staged terror of that day to prevent the ebb of revolutionary passions. They were trying to fill the approaching and dreaded void with heads and corpses. Our bureaucratic and systematic revolutions bridge the horrible gap in a more rational way, avoiding thereby a repetition of the 9th Thermidor. They have found an "Ersatz" for the revolutionary emotions which have carried them thus far and no further: they have found their secret state police.

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The critical hour for the masters of the new era arrives when, out of the fog of passions, the struggle for life re-emerges in its inexorable monotony, with its worries for tomorrow unchanged by all that has happened or perhaps actually made more harsh and pressing. The laws of social existence have not been annulled. Everybody is trying to cash in on the wealth of promises given, but most people do not find themselves any higher up on the social ladder. As a result, there is much criticism and grumbling about the state of the nation. The leaders and their close entourage have sobered down and see clearly what an unholy confusion now confronts them. They feel compelled to swap horses in midstream, and to perform this feat they need different and more potent supports than they have possessed heretofore.

What does a country look like when the revolutionary tide has ebbed away? While it lasts, the storm of the mass movement drowns out every other current. Each participant in the surging delirium acts as if no one possibly could think otherwise than he does. But as a matter of fact there are always many silent dissenters, some out of indolence, some out of real disagreement. And of course some join in the noise without joining in the sentiment. Thus, despite the colossal propaganda which preceded the last regular elections in Germany (March 1933), only about 44 percent of the voters on that occasion favored handing over their liberties to the totalitarian state.

In every revolution the point comes where a wide breach opens up between the jubilant and the uncommunicative. Then, as some balance and common sense is restored, the dividing line becomes blurred. More and more people, both inside and outside the Party, again feel the urge to get a hearing for their personal opinions. Men who have delivered themselves over heart and soul to mass enthusiasm now think it only fair that some attention be paid to what they think and say individually. Some people make a point of sticking to their opinions. Others have been sobered by unexpectedly finding that the revolution did not halt at precisely the right point, *i.e.* that it actually is affecting them adversely. Some who promoted the revolution in order to ward off this or that menace to their own private interests now threaten to become troublesome and start invoking their prestige or economic power. The budding vengeance of those against whom the revolution was aimed primarily has also to be reckoned with. Still another source of danger are the enthusiasts who keep their feelings

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at white heat in season and out — the type of Roehm and Shlapnikov. There is no revolution without its Héberts, and the hate of these falls particularly on the "experts" of the old régime, whom the responsible leaders now discover to be as indispensable as ever for setting up the new order and making everyday life function smoothly. And what of these experts themselves? Their courage to undertake sabotage may not always be chastened by opportunism. Cool-headed individuals appear on the scene, scenting huge profits to be drawn from the flux of events. There is a rich growth, too, of informers. It always comes about, then, that after the victory — or even while the fight is still in course — the leader finds himself surrounded by a crowd of partisans who, garbed in the noble mantle of the great cause, are trying to use him in one way or another to promote their own personal ends. In combination, these types hold as much danger for the new order as would a general relapse of the masses into inertia or sullen exhaustion. They must be kept firmly in check or — as Kerensky found — the country will replace its new masters with ones newer still.

The National Socialist Government, victory won, exhibited the same tendencies as its Slavic seniors in revolutionary experience. That the great change had come was revealed plainly, almost ostentatiously, in the declaration with which it initiated the Winter Help Campaign of 1935–36. Every year this party drive nets many hundred millions of marks. Originally it was announced as an opportunity for all citizens to prove their public spirit and devotion to National Socialist ideals. But on this occasion the gracious donors were bluntly cautioned that their gifts were not really voluntary: gifts there must be. Almost naïvely, those in charge admitted that the new high-mindedness supposedly dominant in the era of national regeneration was not, after all, entirely dependable. In an unguarded moment they disclosed that there is only one thing which can be relied upon implicitly — compulsion.

For some time — in fact from the very beginning of the Third Reich — the secret police, or Gestapo, had been the régime's instrument of compulsion. It rapidly became its chief pillar of stability and security. Like the GPU in Soviet Russia, the Gestapo undertook the task of making the state independent of changes in the human heart and soul. When the GPU and Gestapo are described as "state police" the term carries a very

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precise connotation — a police for the state and against the people, who are still considered to be potentially recalcitrant and non-conformist.

Dictatorial governments of course are not the only ones which have secret police at their command. But in other countries the secret police have no powers except to watch, investigate and report; and they are themselves carefully supervised. The case of M. Chiappe, chief of the Paris *Sûreté*, recently demonstrated once again how touchy democratic countries are on this vital issue. The secret police of the "experimental states" derive immense power from the fact that in addition to their rôle of investigation and inquiry they have important *executive* duties. Their function is not merely to detect crime but to remove opposition against the development of any phase of the régime's program. And the deeper the incision into the living organism of the nation which this program entails — socially, economically or politically — the greater the opportunity for a vast expansion of the secret police.

Of course there are many intermediary forms between the secret police of democratic states and the secret police of the régimes which pride themselves on taking great risks today in order to build a correspondingly great future tomorrow. These intermediary forms, as in Japan or Rumania, will not concern us here. Nor is the OVRA of Fascist Italy a full-grown example of the type of secret state police developed in National Socialist Germany and Soviet Russia. This article therefore will concentrate on the latter.

Our epoch is, as has been indicated above, that of revolutions which have succeeded in reaching the bureaucratic phase. Even the terror is bureaucratic. The methods of the highly organized state police systems differ from the spectacular terrors of previous systems. They are more refined; and technical developments, from the machine gun to the microphone, have put overpowering forces in their hands. Neither the Bolshevik police nor the National Socialist police has staged a single public execution. At first, each made use of the "impulses of revolutionary conscience" which at that time were supposed or alleged to actuate everyone. In Germany recourse is still had occasionally to the "spontaneous" cruelty of the street. Not so in the Soviet Union, more seasoned in revolutionary ways.

But in fact the populace of both countries is still subjected to a

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continuous and active terror, directed against every individual who from any point of view makes himself inacceptable to the state. Such individuals either are "liquidated" outright or manhandled or sent to a concentration camp or crippled in their economic existence or forced to flee the country or merely confined at home (like von Papen). In sum, these various methods constitute a true terror because of their arbitrariness and the severity with which they are executed. Means of defense are extremely limited. In most cases the decision to use coercive methods is reached by the police authorities themselves, often in accord with some personal whim, without any hearings of witnesses and of course without any counsel being provided for the victim. From the moment of his arrest nothing more generally is heard of the delinquent until his fate has been decided; and often the decision is delayed indefinitely. In the Soviet Union it usually is assumed that a prisoner has been executed if his relatives bringing him fresh laundry are refused admission. In Germany, the fact that a prisoner has been executed occasionally is brought to the notice of his family by sending them by parcel post an urn containing his ashes. This kind of terror is in accord with the theory of the deterrent influence of punishment.

From time to time the Soviet Union stages a show tribunal which maintains a faithful semblance of orderly court procedure. This of course is done primarily for political reasons, domestic as well as foreign. In Germany, political "People's Courts" have been set up to satisfy possible pangs of popular conscience. In these courts the defendants are permitted *ex officio* counsel. But entirely apart from and above such external trappings of "justice" as these the secret police works its pleasure. It supervises the functioning of the People's Courts, and often (as in the case of Pastor Niemöller) supplements the punishments meted out there and in other civil law courts by again taking into custody those who have served their time. Nominally it cannot carry out capital punishment — but only nominally.

Needless to say, these occult and arbitrary police doings put a great strain on everybody's nerves. The whole atmosphere of the country becomes imbued with a vague horror. The less robust of course tremble most, but even those who are strong physically often are affected. In the middle of 1921 a well-known British football player went to Soviet Russia as a tourist. In Moscow a vague feeling of the existence of some constantly impending yet

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unfathomable danger came to pervade his mind to such a degree that he lost the use of his legs and did not recover it until he was back in Riga. Visitors who used to know a country before it became totalitarian often are struck by the physical changes noticeable in many of the inhabitants, above all by their general apathy and the lack of expression in their faces, an uncanny contrast to the excited countenances seen in the first moments of revolutionary enthusiasm.

The terror is sharpened by the omnipresence of the secret police. The whole nation begins spying on itself. "Considering that the Soviet Union has 150 million inhabitants who are being spied upon," ran a Soviet joke, "and that there are 150 million spies to do the spying, the country must have at least 300 million inhabitants." Indeed, it is open to question which psychological influence is deeper — the arbitrariness and severity of the actual punishment meted out to individuals or the atmosphere of ominous secrecy in which the whole populace must live from day to day and from year to year.

Every criminologist has to guard against the danger that he may cultivate more mistrust than really is called for in particular circumstances. All secret police systems, without any exception either as regards individual officials or the organization as a whole, are apt to succumb to this professional weakness. The terror thus automatically multiplies. The leaders who have set out to transform the country ideologically and materially in conformity with a certain plan must gauge correctly the public's current state of mind, its willingness to conform or its apathy. They not only are concerned about their preservation of power — a miracle to which they never get accustomed — but even more about the preservation of their lives. It is vital for them to detect and deal with all centers of possible resistance. But when the police systems which they set up undertake to read the minds of the people they soon begin to read almost nothing but evil thoughts. Confronted with the task of seeing that no citizen harbors any mental reservations and everybody holds himself always in a state of complete docility, they make suspicion sovereign. It ends by being sovereign not merely over the public, but over the police as well, and over their leaders.

No wonder that the catalogue of reprehensible acts constantly expands. The scent of the police on trails of possible danger becomes more and more acute, more and more subjective.

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Its criteria become less and less well defined. These defects should serve as a warning signal to the government and to the secret police itself; they should see that they are dipping into a barrel without a bottom. But they press forward heedlessly. In January 1922, just when he was taking over office as head of the GPU from Dzerzhinsky, Unschlicht told a foreigner that in future the organization was going to concentrate mainly on "preventive" measures. In other words, it was setting out to "eliminate" anyone who fell under a shadow of suspicion of being even passively hostile to the state. In 1926 this principle of regarding suspects as culprits was publicly enunciated by Rykov, at that time President of the Council of People's Commissars, and later the conception appeared in the criminal code of the Soviet Union. In the *Münchner Neueste Nachrichten* of January 28, 1939, an article which in other respects was duly cautious, and which carried the harmless title of "The rising generation of police leaders," dealt in its very first paragraph with the civil criminal police and with the "security police" (the Gestapo) in these terms: "The way of the security police leads more often than not from the evil doer to the evil deed, whereas the criminal police takes the crime as the point of departure to look for the criminal." The sense to be inferred from these words is that in the eyes of the Gestapo the suspect is enough without the crime.

The notion that the suspect is guilty makes the state police almighty; the bureaucratic terror is supreme; the conception of the state *against* the citizen has won. But at the same time the principle turns against itself and its adherents. "What is truth?" becomes a permanent question. In pursuit of its revolutionary aims the system must change daily the borderline between what is and what is not permissible. In Germany there often are convictions for offenses which at the time they were committed were inoffensive both in conscience and in law. A person may even run serious danger by saying something in perfectly good faith, or by seeing somebody who at the moment is quite reputable but later falls from grace, or by reading foreign books. These actions may later — *ex post facto* — make one suspect in the light of some recent "don't" and result in serious danger and harsh punishment. So far does suspicion breed suspicion that there was a legend about a former chief of the GPU, Menzhinski, that he had prepared a *dossier* about his own political unreliability.

Perhaps enough has been said to indicate that in essence one

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system of secret state police is the same as every other. All are extremist by their very nature. Still their methods of terror differ, both for internal reasons and because of different surroundings and different pasts. The Bolshevik revolution has used mass executions. The National Socialist revolution, on the other hand, has made more use of floggings. The threat of corporal punishment has the advantage of being more elastic than the threat of capital punishment. Its results are less spectacular, but it can be dealt out to larger numbers of persons and with fewer bothersome technicalities. Further, the number of persons who can be trusted to execute floggings is almost unlimited. In the first months of the National Socialist régime, the SA (*Sturmabteilungen*), elder brother of the SS (*Schutzstaffel*), had almost a monopoly of flogging. It can be argued in favor of flogging, too, that it actually produces a more rapid and deeper impression on the public than shooting. The range of possible attack is much broader and it is a more efficient instrument for maintaining power over a long period of time. It can be built up, too, as a reaction of the outraged consciences of the people, even though it may simply have been ordered by the SS or SA.

Young men, unfortunately, seem best suited to carry out terror by flogging. And so among the most serious reproaches to be brought against National Socialism and the Gestapo is that they introduce still undeveloped minds to some of the worst forms of physical brutality. Young persons degrade themselves by humiliating older and very often honorable and worthy persons who would, if they could, choose death by a bullet. The SS and SA were used chiefly, one can almost say exclusively, to carry out the pogroms of last November. Each group was accompanied by two officials, one an older man in charge of the active work, the other a "quiet" man whose duty it was to keep the group within the fixed bounds. The whole proceeding was an orderly and bureaucratic way of giving "self-expression" to "the people's soul." The Soviet terror, on the contrary, holds to the "supreme punishment." It seldom inflicts bodily mutilations, and beatings are comparatively rare, not being mandatory unless likely to produce useful results in the course of inquiries and questionings. Cruelties in Soviet concentration camps are haphazard, more thoughtless than vicious. But the German people is deliberately intimidated by the rubber truncheon, the steel rod, the rifle butt. Mortification vies in efficacy with the threat of death and with death itself.

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The dilemma in which the secret police find themselves is real even though often they do not seem conscious of it. They want to impress the public unmistakably with their relentless vigilance and sternness. At the same time, they want the average citizen to work as cheerfully as if he were a free agent. As one of the aims is to make the Government popular and trusted, they are eager to create the impression of doing nothing but shield the honest citizen against hidden enemies; yet on the one hand they must constantly expand their repressive activities and, while persuading the public that *au fond* they are quite good-natured, must remain the incarnation of hidden terror, the potential avenger of every act of nonconformity. In both countries the secret police tends to change its official name from time to time, as if thereby it could shed its burden of accumulated public aversion. The Soviet Government in 1922 made the old Cheka a division of the People's Commissariat of the Interior and gave it the name GPU. Even so they thought best to change the name once more, to NKVD. In all, there have been three names since 1917. The name GPU is still the best known, and hence is used throughout this article. But under any name it smells no more sweet. On the occasion of the tenth anniversary of the Bolshevik régime a movie was shown which depicted, among other activities, a meeting of the directing board of the GPU. Such a thing had never been tried before. The result was hysteria in the moving picture houses; women shrieked in the dark when the picture came on the screen, and within two days it was withdrawn. In the article of the *Münchner Neueste Nachrichten* quoted above care was taken to speak of the Gestapo under the disguise of the "safety police." No mention was made either of the official but ambiguous epithet "state" — carrying the implication of something against the people — nor of the ominous word "secret." In neither Germany nor Soviet Russia are the names of the institutions themselves or of the leaders ever mentioned casually in conversation. This is especially true with regard to the substitute chief of the Gestapo, Reinhard Heydrich. He was an intelligence officer in the Baltic Division of the Admiralty and as such had an opportunity to become an expert on GPU methods. He had to resign from the German Navy in 1931, and entered the SS. He keeps himself strictly out of the limelight, leaving all honor to his chief, Heinrich Himmler. Yet his name is known to every individual in Germany. Even Ministers of the Reich put their

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finger warningly to their lips if it comes up in the course of a tête-à-tête.

Government by secret police is a screw without end. Its exponents in the beginning comfort themselves with the belief that one day the success of their Great Experiment will simplify their tasks and give them something like the comparative quiet enjoyed by statesmen in the *status quo* countries. Today hardly any Soviet or German leader can be naïve enough to believe this. The GPU is more diligent in its work than ever, and in Germany the pressure of the Gestapo is only beginning to be fully felt.

Necessarily, the state police undo by night what they have woven by day. They defeat their own ends. Almost unconsciously the innate urge of biological self-protection asserts itself among the people. This attitude makes everybody distrust everybody else. Everybody dissimulates his convictions. Everybody avoids anyone who runs political risks through either open or secret opposition or who promises to become unpopular with the local representatives of the régime because of general apathy towards it. This sort of defensive attitude degenerates easily into blatant cowardice. Sycophantism and byzantism invariably become rampant in all totalitarian states. The result is what might be called the atomization of the nation. Each unit feels unsafe in company with any other unit. What was meant as a means of achieving union in fact produces disintegration.

True, in every human society there is a last "iron ration" of instinct for independence. Some persons have an instinctive desire for self-respect and a native prejudice in favor of justice. These will try to be faithful to themselves as long as possible and to be useful to their country, whatever the character of its rulers at the moment. But a long list of examples shows that the day comes when the state will prefer to do without all such help; then it causes them to disappear by one means or another. For many reasons — but all of them having a single source — the life of the country deteriorates. Then the activities of the state police are accentuated, for so, it is hoped, things will be kept going. But though every totalitarian state possesses fanatics who work far beyond their strength, there always is a greater number of people who take their work more easily. Either caution counsels them not to attract attention, or perhaps they are disgusted at heart with the lack of personal liberty in the régime. Thus it may be said that the work of the state police, constructive as it may seem

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at the moment, gigantic as it is in scale, sucks the vitality of the people which it holds in its hands and remains, despite all its achievements, negative.

It is commonly said that the state police come to form "a state within the state." This is not accurate. The expansive force of a state police is too great. The tendency of all such organizations is towards a saturation point where nothing logically remains for them to do but take over the totality of power. Ambitions in that direction have been attributed to the chief of the Gestapo, though nothing of the sort has been rumored in Soviet Russia. But certain conditions inside the police operate in the opposite direction. To begin with, its work is all-absorbing. The men in the high command always have the appearance of being under a very heavy strain. They are utterly concentrated on their work. Also, they usually are familiar with the limitations and drawbacks of political power as such, as well as of individual positions of responsibility. Most of them prefer the sweetness of real power behind the scenes. In many respects they must resemble a good general staff officer; they must be able to think coolly and logically, they must have patience and the gift of decision at the right moment. It is not a mere coincidence that the Prussian military aristocracy, which for many generations has provided the German Army with its best staff officers, today sends many of its sons into the Gestapo and particularly into those offices requiring hard and constant intellectual application. The work is not with regiments and divisions, but with single individuals, represented by dots connected by lines with other dots. Often it is not very different from the war games of the General Staff; and it is not much different in Berlin or Munich from what it is in Moscow or Kiev. The ranking officials as a group resemble an officers' corps more than a civil service group. Even in the Soviet Union they have a specific *esprit de corps*. In the first weeks of the Soviet régime some party comrades argued that it would be unworthy of the millennium to organize a new Okhrana. Yet in a short time the Government was speaking of the recently founded Cheka as one of the "angels of the revolution." In Germany nobody has dared to go quite so far, but much propaganda has been spread from mouth to mouth, especially among the younger generation, about the honor of serving in the Gestapo or of helping it.

Despite their various overtures to the public, the state police,

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whether in Germany or in Soviet Russia, live lives apart. Their members are feared whenever their occupation is known — often, of course, it is kept secret. They themselves feel separated from the community as a whole, though certainly not as inferiors but rather because they are conscious of serving a special morality. The average citizen seems to them to lead a conventional sort of life, whereas they, wide-awake and indefatigable in the service of the common good, proceed according to rigid principles even if those principles are in conflict with general ethics. Nobody can judge to what extent individual impulses of sadism or revenge operate to reinforce the abstract principles which in their eyes justify them in telling lies, employing *agents provocateurs*, blackmailing, oppressing, taking hostages. Certain officially undesirable characteristics such as vindictiveness often recur. We can only hint here at this human side of the problem.

The state police are a beautiful handle fitted to a dirty stick. The responsible members are actuated by a spirit of dedication, by the conscious pride natural to men who in splendid isolation, convinced of their own special abilities, and putting forth enormous energies, safeguard the security of the state, require the fulfilment of its plans, and guarantee, as they believe, the nation's fundamental unity. All this might indeed be a worthy matter of pride if only it did not originate in a total absence of morals, even in direct immorality, and did not find fulfilment through instruments of horror. They are, or become, oblivious of this. What happens in the inquisition rooms, in the guardrooms, in the prison cells and in the concentration camps is, for these officials, the same sort of day's work as work in a hospital or surgery is to a doctor.

All the secret police systems pay well and give special attention to the well-being of subordinates. No amount of money, however, can ever buy for the masters of the terror the coveted certainty that everything will be done by their "executive organs" in the manner ordered or that the results will be precisely those foreseen. Certain personal instincts or subjective judgments must be relied upon to produce the required results at a given moment. On the other hand, care must be taken not to allow these instincts too free sway. This may seem a mere matter of bureaucratic discernment. But it is a matter in which decision is most difficult as well as most important. Orders must be given in a dangerous moral twilight. If there are men either at the top or at the bottom with

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certain propensities they are under terrible temptation to give way to them. There also is a great temptation to succumb to bribery. Such are the limitations on omnipotence! Many of the numerous petty officers, spies and hangers-on of the Gestapo and the GPU are in fact quite openly corrupt. Indeed, in this respect there is hardly any difference between the police forces of the two hostile states. With regard to the higher officers, there is no evidence of corrupt practices in the Gestapo. Sometimes, however, financial corruption exists even very high up in the GPU. In 1926, for example, 120 of the more responsible GPU officers were held prisoners in the concentration camp in Solovetsk on charges of corruption.

By virtue of their extraordinary simplicity of conception and the discipline in the higher ranks the state police acquire an almost aristocratic character. Consciousness of this is encouraged in the Gestapo in order to ward off any qualms of conscience, especially among recruits. The GPU would do the same thing if the political lingo of the country permitted. Several times Stalin has thought fit to plant especially trusted men in the GPU with the aim of softening what seemed to him, even under accepted standards, as excessive cruelty. But in time all of them became hardened and routine Chekists.

Evidently the selection of officials possessing such vast arbitrary powers must be very careful. In Germany the requirements on both the physical and the intellectual score have become stricter as time goes on. Even so, any newly-organized police system is forced to have recourse to the experienced criminologists of the previous régime. In Soviet Russia, men have even been picked out of the hated Okhrana. Both in Germany and Soviet Russia some individuals with dubious — to say the least — personal proclivities have secured police posts; and there can be no doubt that during the initial terror in the Soviet Union these men were considered particularly useful.

From the beginning, the SS supplied a considerable number of the state police officers, and today it forms the main reservoir for candidates. The chief of the Gestapo, Henrich Himmler, has been commander of the SS since 1929. Alongside the SS stands the much older SA, consciously designed to be its more plebeian brother. The SA is also an instrument of the state police and a recruiting agency for it. Characteristically, most of the concentration camps are under the supervision of the SA. But it would

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seem that the SS still has a monopoly of the major activities of the Gestapo. Picked SS men are sent to special schools where they receive both general and specialized instruction. Some of them then go on to the universities, but they live in special houses. Frequently these young men also are sent abroad to "look around." SS men belong to either the "outer" or the "inner" circle. The latter have intimate connections with the state police and with the Party; and, in conjunction with similar groups of the SA, they are usually assigned to carry out the carefully prepared special "actions" intended to be taken as spontaneous explosions of the "folk soul." This sort of occurrence has not been reported from the Soviet Union; the specific methods of terror used there do not require it. The duty of the specially trained GPU army of between 130,000 and 150,000 men is to supervise internal security, watch the frontiers, and in general serve as an adjunct of the state police. Not much is known about the recruiting methods of the GPU. But just as the Hitler Youth organization is constantly sifted in the search for suitable material for the Gestapo, so the Soviet Union seems to turn to the Komsomoltsi and the universities to find young talent.

The positive merits or demerits of Communism or National Socialism are not under discussion here. Both have arisen from precarious social, economic and political conditions, and their enemies make a mistake if they deny them historical justification. In this uncertain epoch, it is as much up to the democracies (that is, the *status quo* governments) to prove their right to exist as it is to the dictatorships. But it certainly is a point against the totalitarian states that they make use of a secret state police and that evidently they are congenitally obliged to do so. Though the government must needs rely on the police, it finds itself in almost the same uncertain relationship towards it as the individual citizen does. The more the secret police suspect everybody the more sure they feel that they must plant their agents even in the organs of government, both at home and abroad; install their microphones even in the government offices; and use every possible means for finding out exactly what goes on in every branch of government, even in the cabinet meetings. By nature, they disapprove of the typical routine government employee who is inclined to administrative compromises, who pays attention to purely economic considerations, and who in consequence appears to be lukewarm or even, by claiming the right to criticize certain

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actions on departmental grounds, indicates that he might have a tendency to criticize the system itself. The constant supervision exercised by the police over all government agencies disrupts teamwork and damages initiative and efficiency. The same fear, the same evasion of responsibility, the same lack of initiative which oppresses the ordinary economic processes of the country as a whole, lays its paralyzing hand on the government routine.

The army is peculiarly susceptible to this infiltration. At the end of the 1920's, a whole cavalry regiment left its garrison at Minsk and camped outside the town in protest against attempts of the GPU to invade its officers corps. The GPU never forgot the way the late Marshal Tukhachevsky treated this affair — and Marshal Tukhachevsky has now been shot. In the same way, the German Army has not forgotten the violent death of General von Schleicher, nor the circumstances in which the Gestapo arranged to bring about the downfall of General von Fritsch. The abolishment of political commissars in the Red Army represented a victory of the Government and of certain party circles over the GPU and the party groups affiliated with it. Their reinstatement in 1937 is generally considered as one reason for the present unsatisfactory state of the Soviet Army.

In both countries the secret state police constantly interfere with the normal activity of the courts. They watch the activities of public prosecutors; they supervise trials and advise in judgments; and they inflict their own punishments after the regular punishments are finished. In this way the whole authority of the public judiciary is gradually obliterated, as was demonstrated in the Soviet Union when a law curtailing the powers of the GPU failed to be given any practical effect whatsoever. It is characteristic of conditions in Germany that a decree, promulgated soon after the purge of June 30, 1934, makes it impossible to hold the Gestapo responsible legally for mistakes. The authority and activities of the legal authorities and of the Minister of the Interior himself are similarly impaired by the concentration of all police powers in a single head, Heinrich Himmler. Recently the Gestapo had a hand in eliminating Dr. Schacht from the Economics Ministry, and finally from the Reichsbank, thus consummating a long-cherished ambition. In every branch of the government the Gestapo has its say.

But as the secret police interfere more and more in matters outside their original scope other state agencies come into conflict

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with them. Stalin sometimes fights the GPU, sometimes uses it in his fights. So far we have heard nothing of any conflicts in Germany like the one which Stalin had with the GPU in 1928–29 at the start of farm collectivization (the GPU felt it entailed grave risks for the security of the régime). But there can be no question that both in Germany and in Soviet Russia a continuous if largely under-cover conflict is always in progress between the police and various sections of the government which it serves.

The Gestapo's relationship to the "single Party" is different from its relationship to the Government. There are fewer natural causes of friction, for the Party, serving its own interests and guarding its own omnipotence, can take a more purely political view than the Government, which day by day must deal with practical problems. Sometimes when the Party feels tempted to interfere with the Government's conduct of a particular matter the Gestapo supports it; and sometimes the Gestapo turns for support to the Party. Thus the local party organizations frequently coöperated with the Gestapo in forcing non-Aryans out of their positions when the Ministry of Economics and the Reichswehr strongly disapproved of such actions. Similarly in Soviet Russia, while the Government was still maintaining a favorable attitude toward foreigners who had been granted "concessions," the Communist Party coöperated with the GPU to make their life unbearable. The National Socialist Party and the Gestapo also collaborate in revolutionary work in "democratic countries," just as the Comintern and the GPU work together in "capitalistic countries." A distinct section of the state police in Moscow exists for the purpose of coöperating with the Party in this field. In this connection reference might be made to reports that the Gestapo executed the well-timed murder of Baron Kettel, Secretary of the German Legation at Vienna, at the moment of Austria's absorption in the Reich. Thus while the accent of power jumps back and forth between government and party in all the totalitarian states, the state police often is able to weight the balance. And through all the changes, its strength and influence remain essentially intact.

Early Christianity believed that evil was the inevitable function of power. The actions of the totalitarian governments of our time reënforce that view. The more comprehensive their absolutism becomes, the more they base themselves on a conception of morality incompatible with normal ethics. They turn every-

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body and everything into instruments for achieving their exalted and ambitious aims, trying to set the course of history by anticipation over decades and even centuries to come. But the effort involves resort to the *raison d'état*, not just as an incidental aid to them in maintaining power but as the paramount principle governing their government.

Here lies the fundamental fallacy of these régimes. As the result of the all-pervading terror, their exalted programs never get beyond a stage which we might compare to laboratory tests executed under artificial and arbitrary conditions. There is no possibility either for those who direct the operation or for observers, even though they are most sympathetic and even though they are in the laboratory itself, to judge how the program would work out in a free society employing individual initiative for the accomplishment of a common task. In the years from 1918 to 1920 many leading Bolsheviks were conscious of this weakness and insisted that a "democratic" test should be applied, at least in some fields. They were defeated, but the tendency lingered on. Then Stalin, helped by the Cheka, dealt with it once for all. He proclaimed the "monolithic" party and thereby the "monolithic" state. He saved the régime. But he condemned the Bolshevik state forever to the use of crutches. The National Socialist State boasts that it avoided such illusions from the beginning. It adopted crutches not only deliberately but with enthusiasm, and it continues to use them and to strengthen them.

Propagandists for totalitarian states never refer to the state police. On occasions when the totalitarian governments feel obliged to mention their existence they claim that their actions are for the greatest good of the greatest number. Nevertheless, their function is the best substantiation of the theory that by reason of the nature of its government a totalitarian country is incapable of ever reaching the optimum of welfare which it might hope to achieve in a normal atmosphere. Totalitarian experimentation cannot escape from the fact that its prerequisite is the perversion of normal life and that the inevitable result is a sapping of the nation's spontaneous vital energies.

Admirers of the dictators are liable consciously or unconsciously to ignore the price paid by nations for their achievements. We can estimate the size of this price and guess the reason why it must be paid if for a moment we imagine that in some totalitarian state the terror suddenly were withdrawn. The

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government could not hold its own for more than a moment. A totalitarian government can master everything except the fact that the foundations on which it builds are artificial.

Admirers of totalitarian theory concentrate on its promises and on its successes in limited fields. They do not or will not see that terror is the prerequisite for obtaining those successes. Many of them live in some country which as a matter of course functions according to certain political and legal principles. Of course life there is not satisfactory. But those who criticize the faults of their own country and praise what they like about the dictatorships never imagine precisely what it would mean for them individually if the accepted principles of the government under which they live were to be replaced by the concepts of totalitarianism. Like people with good lungs, they consciously avoid thinking what it would be like to have tuberculosis. The great danger for freedom in the world can be summed up in the old saying that "the healthy never understand what it feels like to be sick."

Other experiments may be made with totalitarianism in other lands. But this much may be said after the experience of the last twenty years. Any upheaval planned anywhere in the name of a single man and a single party will face the practical problem of how the revolutionary program is to be realized by a free interplay of social, political and economic forces, thus avoiding the spiritual degeneration and material decomposition which result from reliance on terror. Theoretically this may not seem impossible. But actually the probabilities are against the appearance of the genius, be it of an individual or an entire nation, wise enough and strong enough to carry through such an intricate task.

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THE AMERICAN FAR NORTH

By Vilhjalmur Stefansson

MEN of white skin have trespassed upon the Arctic more during the last twenty years than they did during the previous two hundred. For this there are two principal reasons. In the first place, knowledge of the geographical and climatic conditions prevailing in the Far North has become much more accurate than ever before. And secondly, the complete dependence on surface transportation, whether on land or sea, which characterized Arctic exploration in the past has come to be replaced by an increasing utilization of the airplane. In fact, it is safe to say that aviation is the greatest single factor now contributing to the development of the Far North.

The general description usually given for the climate of the Arctic and sub-Arctic is "continental on the continents and oceanic over the polar sea." Specifically, this means that midsummer temperatures sometimes reach 90° Fahrenheit in the shade at points on the mainland a considerable distance beyond the Arctic Circle (temperatures as high as 100° have been recorded), and that in winter the mercury drops to 70° below zero, or even lower. Even so, the greatest midwinter cold of the Arctic mainland is not quite so intense as that of the north temperate zone. The Cold Pole in North America is at least 100 miles below the Arctic Circle, while in Siberia it is another 200 miles still farther south.

Sir John Richardson, the first explorer of Arctic North America whom we could classify as a scientist, said that he had "never felt its [the sun's] rays so oppressive within the tropics as I have experienced them to be on some occasions" in the Arctic. This heat enables vegetation to grow with tropical speed. There is no chill of night because there is no night. Plants grow 24 hours a day, so that one Arctic day is for them equal to two tropical days. For instance, wheat has been successfully cultivated, without resorting to artificial means, 100 miles north of the Arctic Circle in Canada, and even farther north in the Soviet Union.

The Arctic land is therefore not the waste area of our inherited beliefs. Nor is the Arctic sea barren. The explorers have demonstrated that there is an abundance of life throughout polar waters: some of the world's greatest commercial fishing grounds are on the fringes of the Arctic. No doubt was left on this score

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after the 1937–38 Soviet expedition under Papanin reported both plant and animal life to be abundant near the Pole.

When we say that the climate over the polar sea is oceanic we mean that it is 30° or 40° less cold in winter than it is over the lands to the south, and that it is correspondingly less warm in summer. Right at the center of the polar sea, in the vicinity of the North Pole, it rains and thaws for only a few weeks in midsummer. These periods of rain and thaw become longer in proportion to their distance from the center and are therefore greatest on the edges of the Arctic pack. The greater warmth of this outward fringe is due not only to its being farther south but to its proximity to the heat-generating lands. For there are two reasons why the Arctic sea is cold in summer: it has stored up the previous winter's chill, and its ice surfaces reflect, rather than absorb, most of the light of the summer sun. Only the land is efficient in converting sunlight into heat. In the Arctic no land is permanently covered with snow unless it is mountainous.

The Arctic has violent gales only where there is high land facing open water, as in Greenland. Otherwise the Arctic Ocean, as Nansen has pointed out, is one of the least stormy regions in the world. Though it is windier over the land than over the sea, the winds on the average are no worse than in Illinois or Kansas. Fogs are very rare over both land and sea during the Arctic winter. Exceptions are such transitional belts as the Bering Sea, which is near the Japan Current, and the southern edge of the Arctic pack north of Europe, which is near the Gulf Stream.

What effect do these climatic conditions have on the development of aviation in the Arctic? The temperatures most hostile to flight are neither extreme heat nor extreme cold, but the intermediate range near, and especially just below, the freezing point of fresh water. Those are the levels at which ice, by gathering on planes and dirigibles, changes their aërodynamics and weighs them down. Such freezing troubles are absent in the tropics except at high altitudes. Even in the polar regions icing constitutes less of a flying hazard than it does in the northern half of the north temperate zone — where, as everyone knows, air lines now function regularly throughout the year.

Another enemy of the flyer is fog. Like sleet and "warm" snow, it changes to ice at temperatures just below the freezing point. On the average, fogs are denser and more numerous in the Arctic than in the tropics. But on the other hand, Arctic fogs are less

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dense and less numerous — and lower — than those in the north temperate zone.

In number and quality of emergency landing places, an important factor in aviation, the Arctic and the northern third of the temperate zone excel the rest of the world. Over vast areas of the northern lowland the frozen subsoil prevents underground drainage, thus producing millions of lakes which make perfect landing spots for pontoons or boats in summer, and for wheels or skis in winter. It is in the main these innumerable landing fields which have given northern flying a better safety percentage than is found in other zones, even the tropics. Likewise, there are few sections of the Arctic pack where good landing fields, during the cold part of the year, are more than twenty miles apart, while the average for the whole pack, a sea area nearly as big as the United States, is several landing places every twenty miles — in fact there is usually a choice of two or more within gliding range if one's engine stops at an altitude of a mile or over.

In 1927 Wilkins made the first landplane descent on pack ice far from shore. During the succeeding decade there were at least 54 more such descents, many of them forced landings. They were made in every sort of weather from calm to moderate gale, from perfect visibility to a snowstorm. One of them, the third Wilkins descent, took place at night in a blizzard on the pack 100 miles north of the northern tip of Alaska. No life was lost in any of these descents and there were few serious injuries to aircraft. If the Levanevsky party is never heard from, which now seems distressingly probable, its flight (made in August 1937) will be the first on which lives were lost during fifteen years of flying over the Arctic sea. The mileage of these flights will have exceeded 90,000 before the first loss of life. (This statement covers only ice-laden seas — the loss of Amundsen and his companions in 1928 took place in Gulf Stream waters north of Norway, several hundred miles from the nearest piece of ice that might have saved them.) No lives have been lost since the Levanevsky flight, although 50,000 miles or more were flown in searching for them — the Wilkins search alone covering 20,000.

By 1930 scientists were virtually unanimous in agreeing that Arctic flying conditions on the average are good. This being the case, we would naturally expect that the great air Powers would have begun to lay plans for trans-Arctic air lines. As a matter of fact, this has been true only of the Soviet Union. The others

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hold back. Perhaps the principal reason for this is that a majority of them find it politically advisable to establish their first intercontinental airways more or less parallel with the chief steamship routes. Some of these steamer lanes are tropical or subtropical, and it is undoubtedly sound aëronautical policy to route the first great transoceanic airways through equatorial regions, which even polar enthusiasts agree have the best average flying conditions in the world. The Russians have announced their desire to establish, as soon as possible, direct services across the Arctic between their population centers and those in North America. But they will, of course, have to wait until the other circumpolar nations are ready to coöperate, for the creation of such airways requires not only transit permits and terminals in other countries but also coöperation from foreign air lines.

If one studies on a globe the distribution of world population and the location of centers of political and economic power, one sees at once that the tropical routes connecting them are usually roundabout whereas those across the Arctic are direct. This, of course, is an illustration of how much more applicable the principle of Great Circle travel is to the air than to the sea, where it has never had more than a limited use.

Under the normal conditions of competitive commerce there is a tendency to shorten routes, to cut corners. At first, Chicago, San Francisco and other western American cities will be satisfied to send their European mail by way of New York. But the time is bound to come when these cities will resent the delay involved in shipping around two sides of a triangle. They will want to ship direct to Europe, and they will do so whenever the traffic is enough to load a plane in the Mississippi Valley or on the Pacific Coast for London, Paris, Berlin or Rome. In Norway numerous prominent aviation men are on record as favoring trans-Arctic airways. Norway has good reason to favor trans-Arctic aviation, for she is strategically placed on the Great Circle between Europe and America. Routes to western America from Berlin, Istanbul, the Balkan States and the western parts of the Soviet Union will ultimately pass via Norway, where they will doubtless have scheduled stops. Canada and Greenland are strategically as well placed, if not better, than is Norway to profit from this trans-polar traffic. And, as a matter of fact, there is in each of these countries a growing movement for taking advantage of their geographical positions.

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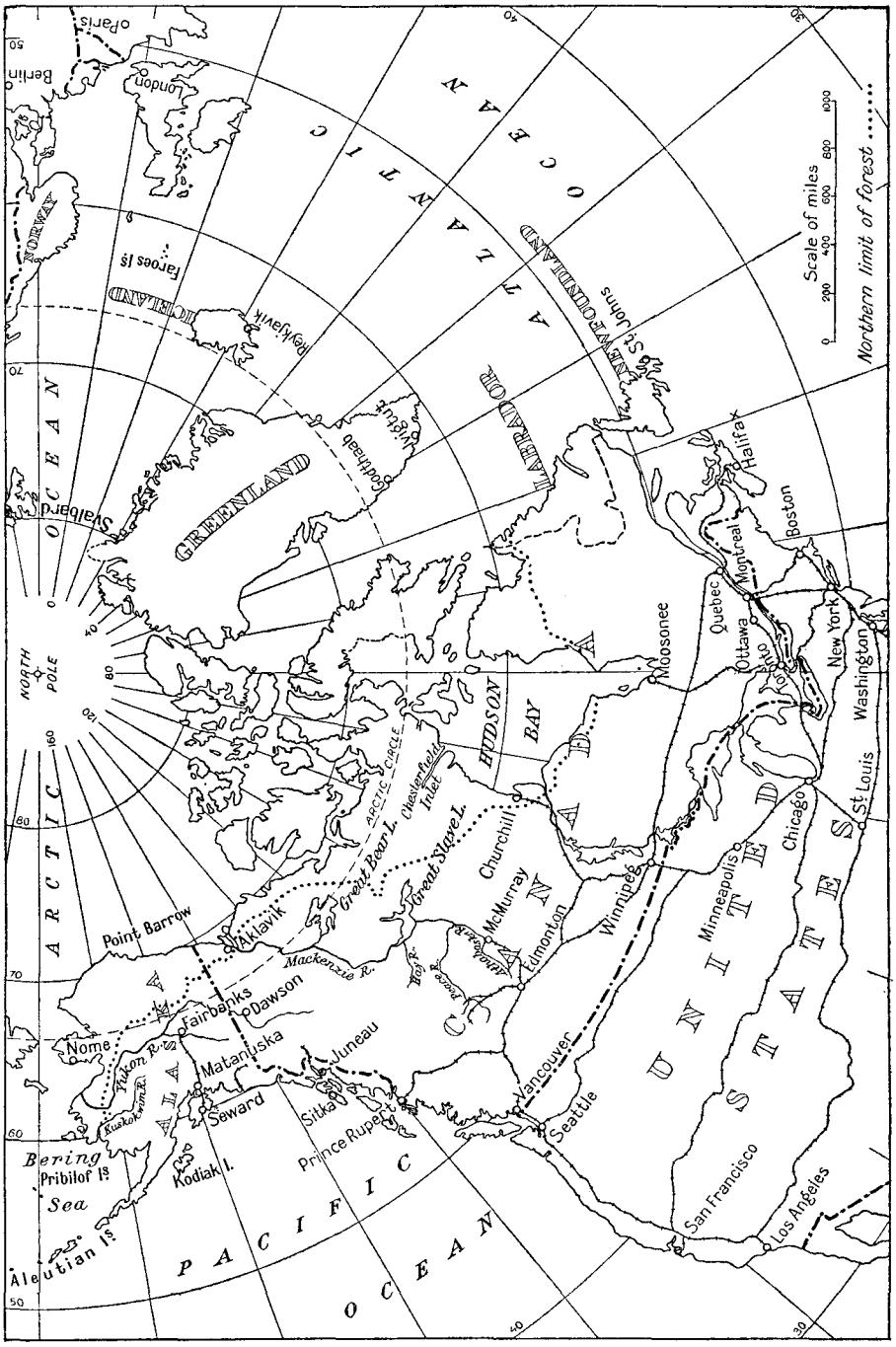

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ALASKA

Most Americans will recall having seen one of those maps on which the outline of Alaska is superimposed on that of the United States. On these, the southeastern tip of the Alaskan Panhandle lies along the Atlantic seaboard in Georgia, the western end of the Aleutian chain reaches the Pacific coast in southern California, while on the north Point Barrow is found along the Canadian boundary in Minnesota. In actual land area, however, Alaska comes to only about one-fifth of that of the continental United States — it is roughly as large as all the states east of the Alleghenies. As for Alaska's climate, certain facts may surprise most readers. For instance, Point Barrow, at the extreme northern tip, has a minimum winter temperature slightly above that of Montana or North Dakota, while in central Alaska the maximum heat in summer is about equal to that of New York City.

Alaska is prairie throughout its northern fifth and over considerable areas along its western side; the central portion is forested, mainly with spruces, birches, alders and cottonwoods; while the southern fifth, the most mountainous part, has dense forests of giant trees comparable to those of Washington and British Columbia. The Arctic and sub-Arctic prairies will eventually produce great quantities of meat through the development of the reindeer industry. The forests in the central zone are largely of local value, but those on the southern coast offer wide possibilities for the export of lumber and pulp. The river and coastal fisheries are among the richest in the world, while both the prairie and the forest are still large producers of valuable furs. The territory is famous for its gold, found in nearly all parts; it also contains extensive deposits of numerous other minerals, including coal and oil, large quantities of which have been discovered along the north and northwest coasts. Wheat and a variety of other agricultural products are capable of cultivation along the southern coast and in the interior valleys.

Perhaps the best way to visualize the lines along which Alaska may develop is to think of it as a greater Finland, with which it compares quite closely in many respects. As everyone knows, Finland is one of the most economically and socially advanced countries in the world. Those who despair of Alaska's future might well remember Finland's rapid progress in recent years.

Alaska north of the Arctic Circle has few people, most of whom

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live for at least a good part of the year near the coast. On the great inland prairie the population is very sparse. Fifty years ago this plain was inhabited by ten times as many Eskimos as now — perhaps even twenty times as many. While this decrease has been taking place in Alaska, the Eskimo population of Greenland has had a steady increase comparable to that of white populations elsewhere. The disparity is in part due to the divergent policies of the United States and of Denmark. The Danes enforce a quarantine to protect the Eskimos from outside influences and they encourage natives to retain their old economy and culture. The American authorities have, until recently, taken but few leaves from the book of Denmark's experience.

This situation seems, however, to be changing. In his *Annual Report* for 1937, Secretary of the Interior Ickes points out that the nicely balanced economy of the Alaskan natives has been upset both physically and psychologically by encouraging them to trap for the whites or to work for wages, and that as a natural consequence native culture has decayed. "More and more," his report says, "a people which once was self-sufficient has become dependent upon external forces which are totally disregardful of their needs." After referring to the natives as Alaska's greatest resource, he goes on to say: "The whites of Alaska cannot continue to profit at the expense of the natives. Constitutionally suited to life in the Arctic, the Eskimo and the Alaska Indian must form the foundation to any long-range planning for the development as contrasted to the exploitation of the Territory." He then states that the Education Division of the Indian Office is undertaking to develop "an educational program which will capitalize the native virtues and at the same time adapt the natives for necessary contacts with their white associates."

Mr. Claude M. Hirst, General Superintendent for Alaska, goes into more detail: "The policy of the Office of Indian Affairs in Alaska today is to meet the needs of the natives by educating them to a better understanding and use of their native environment and by giving them the knowledge and skills necessary to enable them to make profitable contacts with the desirable elements in the white man's civilization." He points out that the schools, both for children and adults, have a program "designed to preserve for the use of the Eskimos their native foods, raiment, industries and culture." The Department, he adds, is "definitely committed" to a policy which will "train the natives to more

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adequately meet the inevitable white competition and to protect themselves from exploitation by developing their own cultural resources."

In Arctic Alaska the Government maintains eight schools (out of 103 in the whole Territory). There are also five Weather Bureau stations scattered about this vast region and a hospital at Barrow. Aside from this, there is little governmental activity north of the Arctic Circle. The U. S. Geological Survey, for instance, has done no work there since 1927, though there is some prospect that it may renew explorations up through the Porcupine River during the present year. As for non-governmental activities, such as commerce, there are practically none in Arctic Alaska beyond the coastal fur trade.

The southern three-quarters of Alaska are, on the other hand, the scene of what will be to many a surprising amount of activity. Here the Territorial Government, and even more the federal authorities, have been energetic, intelligent and liberal. Two of the most interesting enterprises in this region have been the construction of the Alaska Railroad from Seward on the south coast to Fairbanks in the Yukon Valley (a distance of 470 miles) and the establishment of the Matanuska Colony.

Twenty years ago, when the railway was new, three out of four people one met along the Yukon River maintained that the Fairbanks railway had done that basin harm by competing with river traffic just enough to ruin the steamboat companies but without supplying an alternative service adequate to take their place. That may be so. Still, the railway is to many Alaskans a sign that our competitive civilization, so successful in subduing the wilderness in the forty-eight states, has not wholly lost its vitality. They point out that in 1937 the Alaska Railroad paid expenses.

Among Alaskans there is much debate about the Matanuska Colony. Some defend it as it is and where it is. Others criticize it as right in conception but maintain that it should have been located farther north. The average American not unnaturally believes that the farther south one goes in Alaska the better the crops will grow. He believes this to be true, not only because of an assumed general rule that agriculture prospers in proportion to its distance from the Arctic, but because southern Alaska is near the Japan Current, which is supposed to have a beneficial effect. The fact is, however, that July temperatures are not so high at Matanuska as they are on the Tanana River near Fairbanks, 200

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miles farther north. If, therefore, it was the purpose of Matanuska to supply the district north of the mountains with farm produce, there seems to have been a miscalculation.

The National Resources Committee considers that "agriculture in Alaska should be closely coördinated with and made supplemental to local industrial development." But that is not a unanimous opinion. The Governor of Alaska, for instance, wants "more colonies like Matanuska." The federal authorities have, in fact, discovered several areas where such colonies might be located. The Department of Agriculture, for instance, reports areas in the Tanana, Kuskokwim and Yukon valleys, and along the south fork of Fortymile River that could be cultivated. Fortymile, which is over a hundred miles farther north than Matanuska, is said to contain 750,000 acres of arable land and is described as likely to "prove one of the most productive in Alaska."

The Alaska Railroad and the Matanuska Colony are the outstanding governmental interests in Alaska. But there are others, less publicized though important. The petroleum deposits on the north coast form a naval reserve; most of southeastern Alaska is a national forest; the commercial fisheries along the southern coast are regulated to prevent a depletion of the salmon supply; the fur seals of the Pribilof Islands are protected against extermination (only a small percentage is killed each year)—all of which is done in the name of conservation.

People as well as natural resources are being conserved. The Territorial Government maintains health services which include the care of communicable diseases, maternal and child welfare, public health laboratories and engineering. In its labor legislation Alaska is more progressive than many of the states, and it maintains high standards for the teachers in its schools and in the university at Fairbanks. Towards the natives its policy is the same. The statement of Mr. Hirst, quoted above, naturally applies to all of Alaska. There are special industrial schools, travelling medical and dental units, and relief work such as the Civilian Conservation Corps. In the period between 1892 and 1902 — long before the New Deal — 1,280 reindeer were introduced into Alaska from Siberia as a relief measure. Since then the animals have been so widely scattered that it is impossible to compute their number; but the Office of Indian Affairs estimates (probably underestimates) that in Alaska today there are from 500,000 to 700,000 reindeer, two-thirds of them owned by Eskimos.

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During 1937 nearly all the main commercial enterprises in Alaska showed material gains over 1928, which may be considered a standard predepression year. One of the newest — certainly the one most enthusiastically supported by both whites and natives — is aviation. And with good reason, for the plane is the cheapest means of long distance travel. It is so cheap that even an Eskimo who owns his own dog team and to whom time is of no value cannot afford to travel by sledge between such points as Nome and Fairbanks: the cost of food for himself and for his dogs, plus his lodging fees en route, would amount to several times the price of an airplane ticket. Flying in Alaska is as safe as in Michigan, and as pleasant. Pan American Airways reports that on the average its flyers are as well satisfied with their work in Alaska as in Brazil, that over half the pilots on its Alaskan lines prefer January to July, and that (assuming like equipment and ground service) schedules can be maintained through the midwinter period with an average regularity at least as good as that of the northeastern United States. Airmail was started in Alaska in 1924, and since then has been expanded fitfully. Air line operators increased from 4 in 1928 to 40 in 1937, planes from 8 to 100, passengers from 2,171 to 20,958, freight and express from 94,701 to 2,940,757 pounds. In 1938, 30,000 passengers were carried. By June 30, 1938, there were 155 planes in operation. Freight carried by air during 1938 totalled 3,415,759 pounds. This means that the 60,000 or 70,000 Alaskans, half of whom are natives, created nearly 70 percent as much air freight as did all the 130,000,000 inhabitants of the forty-eight states.

So far the National Government has given comparatively little consistent support to Alaskan flying; but there are signs now that the importance of northern aviation is becoming better understood at Washington. For instance, on August 6, 1938, there took place the first flight of an experimental Seattle-Alaska service which is expected to lead to the opening of a regular mail and passenger air line. Hitherto there has been no scheduled aërial connection between Alaska and the rest of the United States.

CANADA

Canada is less interested in her Arctic domain than most people suppose; yet the reasons are not far to seek. The Dominion has only some 11,000,000 with which to people a territory the size of the United States, and most of these live in the country's southern

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fringe, separated from the Arctic by a broad intermediate belt that has not been colonized. Canada has no immediate need for her Arctic region, and has thus far shown little interest in settling even this intermediate belt. Take the case of the Hay Valley.

The Hay River, which runs north from Alberta into Great Slave Lake, could easily be reached by an extension of the Peace River railway. Dr. D. C. Coleman, Vice-President of the Canadian Pacific Railway, reports that a survey of this valley by his company showed the district to be well suited, climatically and otherwise, for wheat and mixed farming. He adds that a railway into the Hay would not merely open the valley itself to agricultural colonization, but would tap the Mackenzie River just north of Great Slave Lake and thus greatly facilitate communication with the Canadian Far North. But he feels, nevertheless, that such a railway would not pay and that private enterprise cannot be expected to undertake its construction. In this, of course, he is quite right. The only possible sponsor for non-paying lines is the Government. But the Dominion is not at the present time likely to undertake the construction of any railroads that will open up new wheat lands. The farmers of southern Canada are making little enough money as it is and they do not want to be taxed, or to have the national credit pledged, for a railway that would pour additional millions of bushels of grain onto the market every year.

But while Canadians are fearful that a northward extension of farming will depress grain and meat prices, they do not have the same feeling about minerals: they take national pride in the fact that the radium-bearing ore mined on Great Bear Lake has already reduced the price of radium from $50,000 to $25,000 per gram.

Only one important activity is carried on in Arctic Canada on a more intensive scale than in Arctic Alaska — the fur trade. That oldest, and still one of the world's greatest, trading organizations, the Hudson's Bay Company, maintains posts all over the Canadian mainland and on some of the islands. There are, too, a number of "free traders," small fur dealers who compete with the great Company and who usually go broke in a few years, only to be replaced by newcomers who think fortunes are to be won in furs.

To the Roman Catholic Church must be given the credit for two of the most striking and potentially important developments in Arctic Canada. Their missions were pioneers in carrying the cultivation of cereals, including wheat, to the Arctic Circle, and

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the raising of vegetables to Aklavik, some 120 miles beyond the Circle, without the use of hothouses or artificial stimulation of any sort. About 100 miles beyond the Circle is wheat's farthest north in America. In Siberia, experimental farms and research expeditions have succeeded in raising it even farther north, because the mainland of Asia extends farther north than does the American continent — it is the sea breezes of midsummer that stop the northward march of wheat.

The other Roman Catholic triumph in the Canadian Arctic is that of the Missionary International Vehicular Association (MIVA) which, under the direction of the Rev. Paul Schulte, O. M. I., in 1937 successfully introduced into the American Far North the Soviet method of guiding ships by airplane. MIVA was reported in 1938 to have increased the number of its planes in use to twelve. Also scheduled for 1938 was the establishment by MIVA of a network of radio stations to connect Chesterfield Inlet with Ontario along the west side of Hudson Bay. It might also be mentioned that the Hudson's Bay Company has installed two-way radio communication with over twenty-five of its posts, while the number of government radio stations in the North is now four.

More tons of freight are carried by air in the northern two-thirds of Canada, which has a population of less than a million, than in the entire United States. Loads sometimes consist of such bulky things as teams of oxen or pieces of machinery weighing several tons. Even more striking, thousands of tons of ore are flown, in some cases hundreds of miles, from mines to river or rail transportation. Mining in the Canadian North is now almost wholly dependent on aviation for its prospecting work. A large part of the furs taken in that region, including the remote islands north of the mainland, are now carried out by plane. Even the fisheries profit: northern fish are held by many to be superior in flavor; large quantities of them are therefore flown to railheads for quick shipment to southern destinations.

Aside from fur trading and mining for gold, platinum and radium, the only economic activity which now pays its own way beyond the frontier in northern Canada is the production of petroleum. Ever since the eighteenth century, "tar" and natural gas had been observed at various points along the Mackenzie River system; but only in recent years has there been systematic exploration and development. One of the fields, on the lower Mackenzie just south of the Circle, is producing fuel for Diesel

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engines and other power units. Production rose from 1,859 barrels in 1932 to 11,500 in 1937. The construction of a plant to refine aviation gasoline from this petroleum is now under consideration.

Even in its crude state this oil has helped northern Canada's transportation materially. The mining industry in that region cannot, of course, depend on the airplane to transport all its heavy loads, most of which must go by water. For more than half a century the Hudson's Bay Company has operated wood-burning steamers on the lower Mackenzie. But such vessels must stop every so often to take on cord wood. The delay involved, together with other reasons, led to a desire for craft powered by internal combustion engines. The development of the Mackenzie oil fields has answered this need.

Up to now Canada's northern frontier, with its scattered trading and trapping posts and its sporadic mines, has been the only region in the capitalist world where commercial aviation has paid without government subsidy. Apparently this situation is changing, for there is a rising complaint that the Canadian Government is handicapping aëronautical development. It is charged, for instance, that the Post Office encourages cutthroat competition for frontier mail contracts to such an extent that low bidders cannot make a profit. Mr. C. G. Richardson, President of Canadian Airways, has published a solemn warning to the Government that its present policy will lead to a collapse of frontier flying, with a consequent setback for those industries in northern Canada which depend on aviation — and that means nearly all of them. Executives in other aviation companies have made similar declarations.

It should be emphasized that most of what we have been describing here is taking place in Canada's *sub*-Arctic, part of it even south of 60 degrees north latitude. There are, however, good reasons for thinking that Canadian activity in the true Arctic will increase considerably in the near future. (During 1937, for instance, some ten airplanes on two regularly scheduled routes operated beyond the Arctic Circle on a total of thirty trips.) Until recently there was a feeling among Canadian aviators that, while flying in the middle north might be safe enough, polar operations were dangerous. During the last few years a change in this sentiment has taken place, largely as a result of Arctic flights made by some of Canada's better-known "bush flyers." Of particular importance in this regard was the experience gained during 1937 through Canadian participation in the search for the Levanevsky

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plane. These flights tested the value of moonlight in aërial navigation and confirmed the theory that in the Arctic, during a third of each lunar month, it is almost as useful as daylight. They also confirmed the view that Arctic flying is safer and easier in midwinter than in midsummer. Canadian airmen are now second only to Soviet aviators in the firmness of their belief that flying can be carried on under more favorable conditions in the Arctic than in many parts of the world where regularly scheduled air traffic has become a part of everyday life.

What about the status of Canada's Arctic natives? In governmental benevolence, the Dominion is far behind Denmark. For instance, the most active official agency in the North — the Royal Canadian Mounted Police — is equipped to give medical service at only some of its posts. To these must be added the government-subsidized hospitals of the Anglican and Roman Churches, each of which has two such establishments in the Arctic. The Dominion has set up no educational institutions, though it subsidizes certain mission schools where the instruction (mainly in English or French) is chiefly religious. There is no indication that this policy will be changed in the near future. A progressive step toward the material welfare of the Eskimos has, however, been taken with the introduction of Alaska reindeer into the territory east of the Mackenzie delta.

GREENLAND

Greenland is commercially the least developed of the circumpolar countries. But in social progress it is, as has already been indicated, more advanced than either Canada or Alaska. The prime concern of the Danish Government is to keep its 17,000 Eskimos alive and in good health. (There are about 500 whites in the country.) The natives are encouraged to retain their traditional diet, consisting almost exclusively of flesh, for it seems best adapted to their physiological needs and has the further advantage of keeping them self-supporting and thereby self-respecting. The principal foods now imported are "staples" like cereals and sugar. An excellent medical service carries on preventive as well as therapeutic work. There are local Eskimo-language schools, where Danish is also taught. Eskimo books are printed in Denmark and in Greenland, while an annual, printed in Eskimo by and for Eskimos, has been published in Greenland since 1861.

To supplement the Eskimo's main dependence upon hunting

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and fishing, the Government is considering the introduction of reindeer and the domestication of the musk ox. Several years ago sheep were introduced: as yet they number only about 10,000, but the climate and vegetation have proved well suited to sheep raising. There is also a small dairy industry capable of a limited expansion. Gardens are being cultivated in a few places, and doubtless could be in others.

We know from school geographies that "most of Greenland is permanently ice-covered." How, then, is it possible to graze animals and cultivate gardens there? The answer is that although Greenland is 84 percent snow-covered in midsummer, the snow-free 16 percent amounts to some 130,000 square miles, an area larger than that of the British Isles. Greenland's largest snow-free region is at its north tip — the northernmost land in the world. In summer this land, named after Peary who discovered it, is green with grass and bright with flowers and is inhabited by numerous birds, insects and mammals. The birds migrate south each fall, the insects survive as eggs that germinate in the heat of the next summer, while the mammals stay the year round.

Except for the marble quarries, from which stone has been exported in small quantities, Greenland's only important mineral development is the cryolite mine at Ivigtut which has been successfully operated for several decades by an American company. The mine is located on a reservation from which Eskimos are excluded in accordance with the Danish Government's quarantine program for preventing the white man's diseases from decimating the native population. A similar reservation has been established for the Faroese fishing fleet in order that it may exploit the rich West Greenland fisheries.

No Arctic country has had such thorough scientific study as Greenland, where large Danish scientific endowments, as well as the Government, maintain research workers in practically every branch of the natural and social sciences. Both Danish and foreign scientists have made extensive use of the airplane to explore the country. Americans have been foremost in studying Greenland from the aëronautical point of view: the most important expeditions of this sort were the four sponsored by Pan American Airways, each of which stayed in Greenland a year. A notable air survey carried out in Greenland on behalf of Pan American was that of Colonel and Mrs. Lindbergh in 1933. Consequently, the aëronautical conditions of the island are now fairly well known.

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Greenland is in a position to play a unique rôle in the development of trans-Arctic flying. The practically level top of its ice cap — the only large survivor of the last ice age left in the northern hemisphere — forms a continuous and nearly perfect emergency landing field 1,500 miles long and up to 600 miles wide. True, this is not without its drawbacks, for the fact that the ice cap forms a high plateau facing the sea inevitably causes it to assist in the formation of local gales along the coast. However, coastal base stations can be selected which are not particularly windy. On the whole Greenland's climate seems suitable for flying.

As we have already seen, the most direct routes from Chicago and other western cities to Paris, London, Berlin and Moscow lie across Greenland. When the operators of air lines are ready to begin running planes along these routes, Denmark will have to decide whether or not to maintain her quarantine policy. Perhaps the flying companies could be given reservations for radio stations and landing places along the coast from which the natives would be excluded as they now are from the American mining reserve at Ivigtut. Radio and supply stations will probably also be required at one or more inland points along the 600 to 700-mile route across the ice cap. These stations could easily be maintained, as was shown by the British and German expeditions that wintered there in 1930–31 (at 8,600 and 10,000-foot elevations and at 67 degrees and 71 degrees north latitude respectively).

CONCLUSION

What, in summary, may we with relative certainty say about the future of the American Far North? First, its climate is not an insurmountable handicap to white settlement — as a majority of those who have lived there for several years will testify. Second, it could, with government aid, produce much food — cereals, meat and fish — which could be marketed in the populated areas of the north temperate zone. But Nebraska cattlemen, Alberta wheat raisers and Gloucester fishermen would doubtless oppose any such attempts on the part of their governments to create new competitors for them. Mining thus seems to offer the best opportunity for private enterprise in the American Arctic. At present only the Soviets are utilizing the resources of the Arctic and sub-Arctic on a large scale. Presumably, the other circumpolar countries will undertake extensive projects within their Arctic territories only if they become convinced that military necessities demand it.

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GERMAN ECONOMIC TENSION: CAUSES AND RESULTS

By Graham Hutton

FOR six years the Third Reich has been an economist's laboratory. The experiments were neither decided by economists nor conducted under their control; but it was possible for economists all over the world to observe their unfolding at a breakneck pace. Now these experiments have ended in an economic reverse, from which the only way out apparently leads straight into a Bolshevik economic system.

In their essence, none of the economic measures initiated by the Nazi Party-State was exactly original or epoch-making. Most of them were adopted or advocated by the first Napoleon, Fichte, List, Louis Blanc, and the economic architects of the Russian Soviet system — that is, fairly continuously throughout the last century and a half. Indeed, in many remarkable particulars they resemble the economic expedients accompanying every social and political upheaval, from revolution to war itself. For example, the Reich's shortage of liquid capital since Munich has led to an expropriation of Jews' property, and to the scheduling of corporate Catholic property for disposal; and there has been talk of new bond issues to good Nazis to enable them to buy up former Jewish or Catholic property — to buy it up or to ransom it. This is almost an exact parallel to the origin of the notorious *assignats* of the French Revolution, issued to enable *citoyens* to buy up clerical property. And just as the *assignats* heralded and eventually stimulated an inflation of the currency, so we today may justifiably link the removal of Dr. Hjalmar Schacht from the Reichsbank, within four months of Munich, to a long list of expropriations, successive new public loans, violent increases in the note circulation of the Reichsbank, and arbitrary impressment or intensification of human labor, and ask: Is inflation on the way? Is the Nazis' economic system breaking down?

As soon as these questions are posed we ought to become very cold-blooded and analytical. Many eminent economists in non-totalitarian states predicted six years ago that the Nazi economy would collapse in a few months, two years at the most. It did not do so, not because these economists' analysis was wrong, but because their timing was. And their timing was wrong because

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they accepted as *ceteris paribus* a number of factors which were quite peculiar to the Reich and quite incomparable to factors, going by the same names, in other lands. Among such factors were, and still are: labor-cost, wages, standards of living, savings, formation of capital, profits, risk-bearing, etc.

The Nazis inherited over 6,000,000 unemployed (though the number was decreasing before February 1933); they had no visible sources of liquid capital; their industrial plant was running at one-third capacity; and foreign trade was at a low ebb. The Reich was not creditworthy, so foreign loans were impossible. But Herr Hitler and Dr. Schacht have shown us that as long as a proposition is *economically* possible, a purely *financial* way can be found to carry it out. The Reich of 1933 had all the slack in the world to take up: plant and labor in superabundance. Only liquid capital and (because of the slump in world trade) raw materials were lacking. Nazi Germany secured enough *resources* of liquid capital by mortgaging the future yield of taxes (the von Papen tax certificates of 1932 preceded the Nazi régime and foreshadowed the Nazis' work-creation bills), by new taxation, by levelling down all real incomes, by "blocking" transfers of foreign debt services, and by the agreed suspension of all reparations. This the banking system and the Reichsbank together could turn into purchasing power *for the state* — though not for consumers. The raw materials were obtained by arbitrary governmental control over imports and by a redistribution of Germany's foreign trade, especially with smaller countries, which created new debts. The state — that is, the formidable bureaucracy of boards, controls, commissars, inspectors and authorities — could simultaneously hold down wages, lengthen hours, control retail prices, control and ration the production or import of consumers' goods, while giving out orders for a vast production of "producers'" or "investment" or "capital" goods, *e.g.* new factories, new equipment, armaments, new construction, new roads, and (a "capital" luxury, if a social and political necessity) a vast conscript army, navy, air force, *plus* all the civil and para-military armies of police, SS, SA, and officials. New and increased taxes brought the extra purchasing-power back to the state. This rapidly-produced array of non-consumable goods represents nothing but a vast turnover from a national income in which, before the advent of the Nazis, consumers accounted for the overwhelming bulk of all activity, to a national income in 1938 in which the produc-

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tion of consumers' goods had fallen per head of population, while that of "investment goods" had doubled.

It is essential that we should not misunderstand the nature of this change-over within Germany's national output during the last six years. The normal end of all investment is to produce "investment goods" — railroads, ships, factories, plant, houses, tools — which are then used merely to increase our output of enjoyable "consumers' goods," *e.g.* transport, clothing, amusement, etc. Private saving serves private investment for private enterprise to meet private consumers' desires. But in the Nazi Reich, despite the doubling of the index for the output of "investment goods" since 1929 (and its quintupling since the low-point of 1932), the goods so designated are *not* the same as before. They are not for private enterprise; nor do they help to swell production of consumable goods; nor do they represent any increase in the national welfare. To a very large extent they have never been intended to increase the output of consumers' goods — unless we strain common sense by defining instruments of death and destruction as consumers' goods, waiting to be consumed on the outbreak of war. Indeed, they constitute a new inroad upon the national income.

We might call such goods — in democracies as well as in dictatorships — either consumers' goods that yield no welfare, or capital (investment, producers') goods which are unproductive of consumers' goods, but are just hoards of capital, labor and materials waiting to be blown up for non-economic purposes — extremely costly fireworks. But, unlike fireworks, they go on costing a great deal for maintenance every year after they have been turned out; and eventually they have to be replaced because, unlike fireworks, they become out of date. Consequently, parallel with current output of new armaments, the modern state has also to replace the rapidly obsolescing armaments and arms-producing equipment turned out barely four or five years before; which means that the more armaments you pile up, the greater in geometric progression grows your budgetary and production problem. The longer you go on, the more do maintenance and replacement threaten current expansion of the arms program. Finally, if to get arms quickly, as the Reich and (to a less extent) France and Britain have done, you order the armaments out of borrowing from your own citizens, you have not only to maintain and expand the program, but you have also to amortize the

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loans, to pay back something sometime, and make due provision for it — unless you really intend to make a capital levy without telling your capitalists. Only in the Reich has this levy been made at the expense of one or two less-favored groups of citizens.

The essence of the Nazis' economic program since 1933 can be stated simply. It has been to take up not only the pre-1933 slack in Germany's productive system, but in addition a good deal of what was still "taut" in 1933 for consumers' needs; and to switch this increased sector of productive resources, now under state control, over to production of nothing but armaments, arms factories and equipment, strategic and para-military public works, buildings, new communications, etc. The *real cost* (as economists say) of this gigantic endeavor is the amount of consumers' goods and services foregone by the German people. They were called on to give up for strategic purposes not only all the pre-1933 slack in their national productive machine, but also a wide segment of the post-1933 economy as well, *plus* entirely new "discoveries" of national resources, like increases of hours of work from daily averages of 6.91 hours in 1932 (or 7.67 in 1929) to 7.68 in 1937 and 8.04 last year, without any commensurable increase in earnings. On the other hand, as fast and as far as the Nazi party-state superseded private businessmen as the initiative-takers in new enterprise (*i.e.* investment or creation of capital goods out of available resources), so Germany's former slack was taken up. Unemployment disappeared, partly because of the state's military "boost" to the national economy, partly because of the equally rapid building of new and vast armies of soldiers, the increase of various kinds of police, of prisoners in camps, of Storm Troops, of officials for new state boards, etc. Not only had the new war equipment to be produced, but men had to be employed and paid to produce it. It contributed nothing to the consumable percentage of the national income; indeed, compared even with the bad year of 1932, it further reduced that consumable portion. Thus, by mid-1937, when it became obvious that the Reich was nearing the point where it was employing existing domestic resources to the full, two things also became apparent. They were both economic dangers for the Reich. They were both emphasized by Dr. Schacht as such.

The first was this. If the party-state's armament program was to expand and accelerate at a constant rate, then either substan-

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tial further cuts in production of consumable goods and services would have to be made, or else a real inflation would arise. In other words, conversion of new purchasing-power for state contracts into new equipment, arms, etc., would be impossible, since there would not be resources and labor available; so that after that peak-point the new funds for new contracts would simply be used by contractors and even government agencies to bid against each other for existing, limited resources. The expression of this would be a cumulative rise in all prices. Since the word "inflation" has a worse connotation to German ears than the word "war," this first danger might have been expected to be taken seriously by the party-state's leaders.

The second danger was as follows. From 1933 to 1937 the party-state had confined its proletarian, collectivist, Socialist measures to all foreign trade and transactions, to industrial relations, and to that percentage of the Reich's national income created and controlled by the state. But after 1937, with the state's share of the national income approaching 50 percent, and with the use of national resources approaching the limit, Germany faced the real dangers of an increasingly rigid Socialist state. And it was a state whose resources of men and materials could not compare with Russia's, whose dependence on industry had been enlarged and not lessened by the Nazi régime, and whose burden of totally unproductive labor and output was already reaching 25 percent of the whole — a figure higher than that in any other capitalistic nation in peacetime, present or past. Accordingly, if the party-state was to continue its program at its constantly accelerated rate of progress, it must eliminate the remaining vestiges of private property and enterprise, *e.g.* by capital levies, expropriations, forced labor (increased hours without commensurate recompense), and state control of all production, both of producers' and consumers' goods. It was against this spectre that Dr. Schacht took his stand.

It is always faintly amusing to observe the intellectual antics of wishful-thinkers. When they found, by 1936 or 1937, that the Reich was not actually foundering in an economic whirlwind, they preserved their own equipoise by transferring (to use Burke's phrase) the small weight of their reasons to the opposite side. They did it so abruptly that they caused an equally violent list in the opposite direction. They said, in effect, that the Nazi party-state had discovered a new and miraculous economic

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system; that we should all have to "copy what was best in it"; that it could *never* break down. Because the Nazi system had not obliged them by fulfilling their wishes within three or four years, it was good for all time.

Now what these wishful-thinkers failed to see was that, even as they spoke, the economic writing was beginning to go up on the walls of the Third Reich. It began to go up on the domestic side of those walls as well as on that facing the outside world. Dr. Schacht saw it, but neither the Nazi leaders nor the wishful-thinkers abroad were prepared to admit what he saw as evidence. Today, only eighteen months later, it is crushing; and the adventures into Austria and Czecho-Slovakia, taken by the extremist Nazi leaders against the advice, so it is reported, of the President of the Reichsbank whom they have now removed, have only heightened and verified the moral of that evidence.

Let us examine the evidence in two parts: that concerned with domestic economy, and that concerned with foreign trade.

Domestically, all the German indices show what in normal times and a normal national economy would be called "full capacity." Since the end of 1937, despite the acquisition of some 425,000 unemployed in Austria and the Sudetenland, unemployment has virtually disappeared within the enlarged Reich, while women are being drafted back to factories and hours for male workers are steadily being lengthened. The output of consumption goods has not even kept pace with the increase in population during 1938 (10,000,000 souls) so that, even if wage-rates and overtime-rates were raised — and officially that has not taken place, though unofficially there is reason to believe that some bonuses have been granted — the purchasing-power of the extra consumers could only express itself as more money for the same amount of goods. Result: higher retail prices. In fact, retail prices have tended to jump rather rapidly during 1938; and this may be the reason. But they have only *tended* to do so; for on the other hand the rigid price-controls have come into play, rationing has been clamped down harder, more consumers' purchasing-power has thus been unable to buy more of the needed commodities (meat, butter, milk, eggs, fruit, textiles); and as a result the extra consumers' purchasing-power has gone to swell the deposits in the savings or other banks.

Like the compulsory contributions from both employers and employed to the unemployment insurance fund, the savings banks

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and other repositories of voluntary or forced savings have been compelled to take up Government paper, either directly or indirectly; and as there is no unemployment, and the Labor Front organization permits no arbitrary discharge of employees by employers, the unemployment fund has become a vast, continuous tax on employment and enterprise. The proceeds, like the proceeds of most private and corporate savings or profits in the Reich, are at once whipped back into the State's coffers, to issue thence in payment once again for contracts falling due. Only the state's paper (its varied bills and long-term bonds) shows any increase comparable with the rise in national income, which was from Rm. 45.2 billions in 1932 to the 1928 level of 76 billions last year. But the interesting feature for our purposes is that, in 1938 alone, primarily as a result of Dr. Schacht's insistence last March on the cessation of issues of new work-creation bills, the Reich's issues of long-term debt increased by Rm. 8 billions. This is three times the amount so raised (or consolidated from the floating, short-term debt) in 1937, and more than half of the total of Rm. 15¼ billions consolidated from short-term debt since such consolidation began in 1936. The last of these issues, that for Rm. 1½ billions last December, took over five weeks to subscribe, and the last 400 millions had to be forced down the throats of the already gorged savings banks, insurance institutions, and the like. This, within nine months of Dr. Schacht's warning, is proof enough that after five years of compulsory levies, rising taxes, confiscated reserves, etc., the once free German capital market has been denuded of its resources. True, they might be built up again; but only if the process which denuded the market of them were itself to be halted. And that, after the removal of Dr. Schacht, may be very difficult.

Financial considerations, however, never stopped a country from going to war. The national debt of the Reich (including municipalities, provinces and Austria) at the end of 1938 was roughly Rm. 55 billions, compared with less than 25 billions in 1932; but in the meantime the Reich had sloughed off and "consumed" on armaments over 16 billions of foreign indebtedness, shed all its reparations liabilities, gained more population and resources, increased its activity to full capacity, and multiplied state revenue threefold. Though the portfolios of every bank, financial institution, insurance company, big industrial

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concern, and public undertaking are now chock-a-block with the Reich's IOU's, this in itself need not cause a financial crash. That contingency can only arise as a result of a combination of causes, of which the continuous expansion of the party-state's capital-construction (*i.e.* military) program is chief. "A crash" means a crash within a system; but there are two parallel systems in the Reich — a small one for consumers, and a big one for armaments. The small one need not crash for a long time; so it can be still further pared down to give the big one more leeway.

As we have shown, the magnitude of the arms program's achievements within five years is best shown in terms of consumption foregone — not only consumption that might have been, but a good part of the consumption that actually existed among all strata of the Reich's population above the 6,000,000 unemployed in 1932. Continuous limitation and rationing of supplies, continuous narrowing-down of all consumers' choice, continuous paring-down of the qualities of consumable goods — these phenomena may not be observed by comfortable tourists; but they are sufficiently recognized by the Reich's leaders to form the main theme of many an official speech. Herr Hitler at the end of January admitted the existence of a grave economic crisis, demanded national unity and strength of will to shoulder further sacrifices necessary to overcome it, and promised a reaping-time after the sowing. Of course, the Leader could not admit that the curtailment of consumption in the Reich had always been deliberately managed, though an echo from a long-past speech by one of his lieutenants about "guns rather than butter" must now sound ominous when there are so many more guns and still no butter. Yet the very rapidity with which the Reich's economic reverse has developed, at a time when its output of military material is unparalleled and when the cost steadily emerges into public view, emphasizes the persistent dependence of the Reich on its foreign trade. The Leader who suddenly sang out "We must export or die!" has struck a new note, a different one from that on which so many of the Nazi autarchs have harped since 1933, a note strangely like that of the ejected Dr. Schacht. Why is this?

The reason is that, since the end of 1937, and accelerated by the greatly enlarged import needs of Austria and the Sudetenland, the Four Year Plan has been going adrift. The vast acquisitions and allocations of liquid capital for strategic (often *Ersatz*

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or "substitute") industries have not been able to cover the rapidly increasing demand by the state for vital raw or semi-manufactured materials; and at the same time the annexations in 1938 sharply stepped-up the expanded Reich's needs of food and raw materials. Moreover, in the foreign field the bilateral barter and compensation trade agreements, driven as hard bargains during the last four years, came within sight of a natural limit to their usefulness. This natural limit in the case of Germany's smaller neighbors was set by their own dependence on imports of raw materials from free world markets, to which markets, accordingly, they would in any case have to send a fixed proportion of their products in payment. These smaller countries possessed highly-protected home industries, and they were not willing to wipe these out in favor of Germany's export industries, even if the latter ever were enabled once again to run at full capacity on imported raw materials. Thus there was a kind of deadline beyond which it was virtually impossible for even the redoubtable Dr. Walther Funk, Dr. Schacht's successor, to drive German goods in the old endeavor to buy more strategic materials from abroad — and, of course, from the weakest sellers. Finally, there was another kind of deadline, too. This emerged from the growing invasion of all civil industry (and therefore especially of export industry) by the party-state's home military-investment program. Consequently before 1938 was well under way the Reich's own ability to step-up exports without gaining *absolutely additional* imports of civil raw materials was highly questionable. The smaller countries which supplied these before had burned their fingers once too often.

Thus, what the evidence shows us since the annexation of Austria last March is nothing else than a conjuncture of saturation-elements on both the domestic and foreign sides of the Reich's economy. The importance of the evidence must be emphasized, because those responsible for the economic destinies of the Reich have, since Munich, patently and curtly declared to the world and to the German people their decision to push on with the same program, and at the same increasing velocity, which led them to the present pass. "Audacity, always audacity!" It was the cry of the most persuasive of all the Jacobins. Now, it is hoped, a similarly outspoken audacity will secure from a collection of tired and ageing democratic nations those *absolutely additional* imports of raw materials which may form the

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basis of new activity, new tax-revenue, and new exports. But although, despite the removal of Dr. Schacht, the British authorities still seem convinced of their ability to bribe the party-state into following the path of peace, that state has taken pains since Munich to blazon abroad its uncompromising fidelity to an extreme form of proletarian collectivism. *Can* the British Government save the Nazi economy in spite of itself?

That the Reich's economic situation is, indeed, very serious scarcely requires evidence. Still, to lend point to Herr Hitler's own admissions, here are a few evidences which have nothing to do with foreign Powers, with the encirclement of Germany by implacable and gorged foes, or with any other kind of "Just-so" stories. The state railways have now 10 percent fewer cars than they had in 1929, mainly owing to lack of maintenance; the tracks are badly in need of repair; personnel is less efficient (of which complaints have been made to high places, especially in connection with the increasing accident rate). The factories which alone made rearmament possible, some of them entirely new a few years back, have not been permitted to allocate a sufficient proportion of current earnings to cover greatly increased maintenance and obsolescence charges; these naturally are high, as the factories were run on 16- and 24-hour shifts. The output per man-hour has fallen rapidly — some reliable reports say by as much as 10 percent — during the last year, due in the main to the drive for longer hours without adequate compensation. The skill and intellectual performance of apprentices has shown so startling and abrupt a falling-off in 1938 that official (and even military) German newspapers have arraigned the young men for trying to excuse themselves by devotion to party requirements in other fields. The retail turnover of certain important items of foodstuffs, tobacco and textiles stood last year at a level fully 10 percent below the corresponding figures for the year 1928 — and this without taking into account the obvious reductions in quality. If we include the effects of the incorporation of Austria and the Sudetenland, the note circulation in 1938 rose suddenly by over 20 percent. Since the end of 1936, allowing again for the two annexations of 1938, the note circulation has risen by 50 percent; yet retail prices have been controlled, rationing is general, and the output of consumable goods has been restricted. Naturally, the reabsorption of 6,000,000 unemployed, and the driving of all the employed to work more, *plus* the inauguration

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of new official jobs and officials, soldiers, police, etc., required more money; but it is hard to resist the conclusion that there must be some hoarding of notes against the day when the system may fail, the currency be realigned as after 1923, and the possessors of ready cash will at least be able to receive something for their old notes.

On the social side, the Reich's economic system is beginning to weigh heavily upon the workers. There is no unemployment; but there is an almost as embittering compound of conscription, forced labor service, voluntary offerings for party or Winter Help funds, protracted hours of work without direct consultation of the individual workers (though the Labor Front conducts the negotiations), and — the last straw, since Munich — the power of the party-state to pick up a man and remove him from one job and one locality to another, without explanation or compensation. No German citizen-worker would, perhaps, wish to grumble at a régime which has given to his beloved Germany so mighty a place in the modern world. Even if he groused a bit, and even if he wanted to be ruled by another system, he could not do a single thing about it — except to register his discontent by being a bit slack in his work in the factory. The fact remains that, in time of so-called peace, the Nazi party-state has driven its workers and apprentices to a point where, after only five years, the skill and output per man have begun sharply to decline. As to standards of living, the German housewife has even less say in affairs than her husband; she has to exercise as much ingenuity in running her budget as the state's experts have to do in trimming their secret budget; yet it is probably still true that a majority of German housewives would vote enthusiastically for the Leader on an absolutely free vote. (The régime has not only given women their men, but forced the men either to stay at home or to be under state supervision!) But to every urban dweller in Germany above the stratum of the lowest-paid workers and unemployed in 1932, even in the richest stratum, it is no longer a matter of dispute what has happened to the standard of living. Yet all is suffered for a purpose long clarified by able propaganda; and all hardships are laid by the same propaganda at the doors of gorged, encircling and implacable foreign Powers. Only now, especially after Austria and Czecho-Slovakia, the encirclement and the implacability do not impress German minds so much. The

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people want peace — less glory and less tension. This may explain why, in the last three months, official explanations and arguments in Germany have seemed unduly vague, complicated and involved.

In the sphere of foreign trade the Reich has witnessed a sudden change from an export surplus of just over Rm. 400 millions in 1937 to an import surplus, for an enlarged Reich, of well over Rm. 400 millions last year. This represents a turnover in twelve months of nearly Rm. 850 millions. At the same time, the acceleration and peculiar methods of stimulation of the Reich's bilateral trade transactions after Munich led the British authorities to hint at defensive measures; the economic fate of what was left of Czecho-Slovakia drove many smaller states to unexpected resistance against German economic penetration beyond the deadline mentioned above; and even existing German trade agreements began to be thrown out of gear by unforeseen recalcitrance on the part of the smaller client-States. None of these factors is an insuperable obstacle in the long run; but in the Reich's present situation it is a great and grave question how long the run, in time of so-called peace, will be. For, after the two costly mobilizations of 1938 (the second not yet liquidated), many stocks have been drawn on and depleted, and shortages of foreign essential materials both for Germany's civil export trade and for the armament program have once more become apparent. Hence the sudden reiteration of the "export or die" slogan, once the device of free-traders.

But it is mainly in the field of domestic finance that the evidence has accumulated most rapidly. Nazi Germany staked all on acquiring stocks for an early "lightning war." After 1938 her resources have been strained, whereas Britain's are still elastic. It is said that the removal of Dr. Schacht was precipitated because a batch of the "delivery certificates" which he issued from May of last year onwards in place of the former work-creation bills, fell due in January of this year at a time when, despite the continual rise in state revenues, there were insufficient funds to meet all demands. Borrowing on the market was impossible, for the latest Rm. 1½ billion loan had just been crammed down the throats of all institutions possessing available funds. The President of the Reichsbank is said to have precipitated his own removal by repeating, in categoric terms, the warnings against out-and-out inflation which he certainly delivered in March of

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1938, when the issue of new work-creation bills was stopped. Perhaps he declined to meet the needs of the certificate-holders by credit-creation until he had secured from the party-state some undertaking against a recurrence — especially a regular recurrence — of the event in the future. In any case, Dr. Schacht has shown in 1923, in 1929–30, and again in 1932–33, a genius for knowing precisely when to join and when to leave a ship. And if there is one thing about which he knows more than about any other, it is sailing near the wind of inflationary finance. There is enough evidence to show that not only was the wind veering unfavorably during 1938, but also that many other hands were monkeying with the sails while Dr. Schacht was only allowed to hold the tiller. The result, as 1939 dawns, seems to be as near an inflationary jib as anything possibly could be.

But when all this evidence is reviewed, we still cannot prophesy immediate economic disaster for the Nazi party-state. To begin with, most of us who live in the happy-go-lucky countries would count it an economic disaster to have to live as the German people have now had to live for five years. Secondly, we have learned that men and women will quietly put up with the continuance of conditions against which cattle would probably kick. Thirdly, as Adam Smith reminded us over 150 years ago, "there is a lot of ruin in a nation." Fourthly, the belt can be remorselessly pulled in, as long as there is still a little stomach left within it, and as long as the notches are closely spaced. Fifthly, no outbreak or open opposition of any kind against the Nazi party-state *in peacetime* is thinkable. On the other hand, though the Reich can keep its hand-to-mouth, Peter-and-Paul economy going, perhaps even for some years, it cannot simultaneously expand its current armaments program, its productive capital-equipment, cover all its maintenance charges, and provide duly for all obsolescence, without henceforth plunging its 80,000,000 Germans into the kind of servile collectivism, both political and economic, against which its leaders in the recent past have been wont to inveigh as "Bolshevism." Of course, its latest batch of new taxes and tax-increases — on company directors, bachelors and spinsters, and on moderate or higher incomes — proves that the party-state is intent on taking this Leftward path. It can, in reality, take no other. The economic system which nominally began as a "bulwark against Communism" is merely approaching its logical Communist end.

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Which leads us, perhaps late in the day, to appreciate why both puritanical and unbridled revolutions rapidly throw up a set of leaders to whom one can only apply the old English seventeenth-century term: Levellers. Both the Russian and the Nazi revolutions set out flushed with zeal to unify, to purge, to build up a new people. The former, however, set out to destroy and "level" at home, before reforming; the latter set out to destroy Germany's foreign bonds (in every sense) and "level-up" Germany's prestige abroad before reforming at home. Yet frenzy, fanaticism and zeal all end a little aside of the mark. And the outcomes of both revolutions are ironically apt.

The Russian revolution has built up Russia's standing abroad by foregoing "levelling" at home. Russia is now the oligarchic, corporate, Fascist state *par excellence*. The Nazi revolution, fanatically devout in opposing Communism as a kind of Anti-Christ, has only lunged at an open door, and has fallen into Bolshevism (not yet Communism) itself. The disciplined, unified, oligarchic, Fascist, hierarchical state under the One Leader, the *Führerprinzip* — the superficial antithesis of the Red Mass — has been neatly turned during five short years into a laboratory of extreme Levellers. Out of the laboratory, as far as one can yet tell, is merely coming an obvious and rather cumbrous economic and militaristic collectivism. The political shade seems already more red than brown or black.

One thing we may perhaps lay to our hearts for comfort. Whatever the Reich's current economic reverse may really portend, it cannot increase, and must diminish, the Reich's ability to wage a war of any appreciable duration. It may prevent the Nazi party-state from starting a war. Even if it does not do that, it will assure that the Reich cannot keep modern war going — and its own people quiet — for more than a few months at most. And there is no probability that the Reich and its allies could defeat everyone in a few weeks. Perhaps the most encouraging evidences of all are those which seem to indicate that many Nazi leaders now realize this. If they express that realization in bitter and petulant terms, the rest of us will not grumble. We shall understand and be happy.

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THE REICHSWEHR TODAY

By Herbert Rosinski

EVENTS of the last few months have placed the Reichswehr in the forefront of world interest. But its bloodless victories in Austria and Czecho-Slovakia have not offered any insight into its real capacity to carry on another World War. The Reichswehr remains, even more than the Red Army, the mystery force of the world.

The difficulty in appreciating the Reichswehr's real strength lies not so much in the elaborate secrecy surrounding it as in the unique conditions under which it was created and now works. No other military force in the world has had to undergo such violent changes within so short a period as it has undergone since the World War; nor has any other modern army been expanded eightfold under conditions of complete secrecy and the threat of armed intervention — and this simultaneously with the development of one of the most thoroughgoing revolutions in history.

To understand the present position of the German Army we must go back to the revolution of 1918–19. During those hectic days the foundations of the Reichswehr were laid by the somewhat chaotic "Free Corps," remnants of the old Imperial Army that assisted the new Republican Government to suppress the extreme radicals and to restore order. This unnatural partnership between the revolutionary Government and ultra-nationalist elements inevitably broke down: in March 1920 the famous Kapp *Putsch* found the Army divided. But thanks to the remarkable diplomacy of General von Seeckt, confidence was restored after a relatively short period of upheaval and the Army leaders were able to continue with their work of consolidating the Reichswehr's position.

The material and political circumstances in which this was carried on made the Reichswehr fundamentally different from the old Imperial Army. The Versailles Treaty had restricted Germany to a mercenary force of 100,000 long-service men, without tanks, planes or heavy artillery — conditions such as to make the task of preparing an adequate defense for the country seem at first a bitter farce. Nevertheless, the very harshness of the conditions stimulated the officers to put forth their utmost ingenuity, with

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the result that under the able leadership of von Seeckt the Reichswehr soon developed into a powerful military instrument. Since it was allowed to recruit no more than 8,000 men yearly, it could choose the very best; and since the term of service was for 12 years, it was able to attain a standard of military training and a general intellectual level never even remotely approached, either before or since. In fact, without this intensive training, by which practically every private became a potential non-commissioned officer, the tremendous expansion of recent years could never have taken place at all. The same was true to an even higher degree of the officers. No longer a privileged class, but merely one profession among others, they were selected on the basis of the most thorough physical and intellectual tests that could be devised, and thereafter they were obliged to conform to rigorously high standards. Competitive examinations for the higher ranks constituted a further stimulant to individual effort.

Infinitely more difficult was the task of preserving the Reichswehr's inner cohesion under prevailing political conditions. Outwardly its position within the community might seem not to have changed appreciably. Under the Hohenzollerns the Army felt itself the chosen instrument of the Imperial House and as such it shared the monarch's proud distinction of being above party strife. But now under the Republic it had become the subordinate of a parliament whose outlook it neither understood fully nor approved.

Even more important, the sentiment of the officers themselves towards politics had undergone a fundamental change. The non-political attitude of most of the officers of the old Army was genuine: they regarded the struggles in the political arena as something sordid in which an officer had no reason to mix and which, in any event, were of no great importance since the real direction of affairs lay in the safe hands of the monarch. Now, however, the non-political attitude enforced upon Reichswehr officers (they alone among the citizens of the new Republic were debarred from voting) represented a real sacrifice. The tragedy of the World War and its aftermath of chaos had thrown Germany's political life completely out of its traditional channels; the party struggle, hitherto hardly more than an eddy in the political backwater, suddenly had become a mighty river whose course all watched with passionate interest. These circumstances demanded that officers of the Army show almost super-

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human self-control; and their position became progressively more difficult as signs multiplied that the Republic, in whose name this political abnegation was imposed, was headed for disintegration.

In the years of rapid disruption of public life following the death of Stresemann, the Reichswehr was thrust first into the rôle of arbiter and then of main prop for the Republican Government. Considering the intense political excitement of those years, the Reichswehr managed to maintain its internal unity fairly intact, despite certain strong differences of opinion within its ranks. These differences were exhibited, for instance, at the famous trial in Leipzig where three subalterns were found guilty of illicit contact with the Nazi Party. That the Reichswehr was able to preserve its unity is brilliant testimony to the honesty and spirit of self-effacement of the average German soldier and to the strength of character and wisdom of the officers. It nevertheless was a thoroughly disgusted Reichswehr which Hitler found when he came into power on January 30, 1933.

The disgust of the Reichswehr for the party squabbles of the last years of the Weimar Republic explains to a large extent its subsequent attitude toward Hitler's régime. It also explains why the Reichswehr, though starting from an infinitely stronger position than the Red Army, was eventually reduced to a similar state of political subjection to the dominant party. From the beginning the Red Army was the creature of the Bolshevik Party. It had no independent tradition or ideology of its own, and when in the course of time the inevitable friction between the civilian dictatorship and the armed forces drove the military leaders to rebellion, they (if we are to credit Erich Wollenberg's account) had no other means of opposing Stalin than an appeal to militant internationalism. The Reichswehr, on the other hand, was bound by no ties, sentimental or otherwise, to the Nazi Party. Instead, it had a long and glorious tradition behind it, incomparably longer than that of the Party. Furthermore, that tradition was in fundamental opposition, if not to the Party's program, at least to the practices of the Party régime. During the last days of the Republic the Reichswehr itself held the political balance in the nation; and in 1933, and for several years thereafter, it concentrated in its hands practically the entire physical power of the country. It would, further, have had the enthusiastic support of large sections of the population if it had chosen to undertake

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any *coup d'état*. Yet within five years after Hitler's taking power it not only had abdicated from this immensely powerful position, but it possessed no longer much more independence than its Red counterpart.

The fundamental reason for this astonishing development lies in the fact that in Nazi Germany's curiously inverted *societas leonina* the stronger partner possessed the infinitely weaker political will — or rather, no political will whatsoever. The Reichswehr had had nothing to do with bringing the Nazi Party into power. True, it was ready to welcome a régime which went out of its way to demonstrate its profound regard for the soldier and its appreciation of his needs and aspirations. Yet it had submitted to the change because such was the wish of its own Commander-in-Chief, President von Hindenburg. The Reichswehr had no interest in politics beyond the fulfillment of its own professional wishes, and it was only too glad to leave to a régime so obviously qualified the task of dealing with the obnoxious parties and effecting the nation's unity — the absence of which it had long deplored.

The Reichswehr's lack of interest in politics and its acquiescence in the Nazi Party's claim to leadership is the key to what happened in their relationship during the following years. Observers at home and abroad who wonder why the Reichswehr, despite its immensely strong position, gave way step by step to the pressure of the Party, overlook the fact that there was no fundamental opposition between the two, and that, however much the Reichswehr and some of its leaders might dislike the régime or certain of its aspects, they neither had a constructive policy of their own to put in its place nor the inclination or capacity for taking over the reins of government themselves. Above all, the gigantic task of rearmament served admirably, from the Nazi point of view, to bind the Army's hands, not only by monopolizing its attention but by virtually preventing it from overthrowing the régime as long as that delicate undertaking was under way. Rearmament also fulfilled another very important function. The political abdication of the Reichswehr was not enough from the Nazi point of view; so long as it retained its independence in its own sphere it remained a potential threat, a possible rallying point for effective opposition. Thus the régime found itself faced with the dual though not uncongenial task of expanding the country's military strength at the same time that

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it was undermining, under the cloak of that military expansion, the traditionally independent *esprit de corps* of the Reichswehr and subjugating it to Nazi ideology and influence. However, this object could not be attained until the compact and homogeneous units of the old Reichswehr had been broken up and their elements merged in a huge new mass army.

Rearmament was therefore accompanied by a constant stream of attacks by the Nazi Government against the autonomy which the Reichswehr still enjoyed in its own realm. One of the attacks was against the Reichswehr's exemption from the jurisdiction of the Gestapo, and then against its exemption from the rigorous application of the racial laws. More important, an effort was made to destroy all those traditions which separated the Army from the regimented thought and life of the Third Reich. The traditions which the Nazis sought to suppress ran from the Army's Christian outlook to externals like military salutes.

It proved much more difficult to subdue the Army's spirit than to subjugate it politically. Though loyal to the régime, the vast majority of the officers had little sympathy for the Nazi *Weltanschauung*. So far the Nazis have still failed to convert the Reichswehr by their well-tried propaganda techniques. The grandiloquent expositions of National Socialist theory delivered before select audiences of officers by prominent Party men have not made the impression which the Nazis expected, while the persistent propaganda among the rank and file carried on by Rosenberg and his emissaries has merely served to exasperate the officers, who do not wish to let go important aspects of the soldier's education. In the struggle between the Nazi ideology and the old military standards, the latter proved the stronger. And, as countless episodes during the occupation of Austria and the November 1938 pogroms have shown, they still determine the Army's outlook.

The Army's remarkable resistance to Nazi penetration has led the régime to try to reach its objective by more direct measures. As early as the summer of 1936 the independent status of the Army was modified by a series of restrictions; it was a moment when the prestige of the Army leaders was low because they had pointed out the danger of occupying the Rhineland — and then it had proved a resounding success. Recently the process has culminated in two highly important decrees.

The first abolishes the non-political ex-servicemen's organiza-

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tion which was created in 1937 when the first batch of new recruits left the colors. Henceforth, control over the training of reservists both before and after their terms of military service will be vested in the *Sturmabteilungen*, the Party organization of storm troopers. Thus for the first time since they were relegated to obscurity in 1934 the SA have been given a political and military task. The importance of this cannot be exaggerated. In effect, the order entrusts the whole physical and ideological training of Germany's manhood to the Brown Shirts and reduces the Army to an organization for the military training of only the active soldiers and reservists. It therefore represents the realization of plans the premature disclosure of which cost Captain Roehm, Chief of Staff of the SA, his life in the blood purge of June 30, 1934. Outwardly the position of the Army officers has not been touched. No attempt has been made to amalgamate them and the storm troop leaders; the lesson of 1934, when an attempt of that sort aroused violent indignation in the Reichswehr, has been learned. And in fact purely military reasons would have forbidden any such solution, for the SA leaders gave a very poor account of themselves as non-commissioned officers during the great September mobilization. However, by entrusting these same SA officers with the military and political training of all ex-servicemen, the whole body of Germany's trained manpower is withdrawn from the Army's sphere of influence.

At the same time, another decree profoundly changed the personal status of the Army officers themselves. This has entirely failed to receive proper attention. Under the terms of this decree (dated January 22, 1939) the Reich League of German Officers places itself under the leadership of the Reich Warrior Fuehrer, Major General Reinhard, Head of the National Socialist Reich Warrior League. By forcing Army officers to join this organization, hitherto composed exclusively of private and non-commissioned officers and completely under National Socialist control, the Nazis have at one blow reduced them from their proud position as a special class, acclaimed as the first in the state, to the mere status of military specialists. Henceforth they will be soldiers first and officers only incidentally.

Such is the background against which we must try to appraise the cohesiveness and military efficiency of the Reichswehr today. As regards the rank and file the situation is not unsatisfactory, though by no means brilliant. During the September crisis the

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morale of large sections of the forces, especially of the badly supplied reservists, showed signs of considerable depression. There was a definite lack of enthusiasm about a struggle of doubtful outcome. Munich brought a widespread improvement in spirit. But this lasted only a short time, and during recent months the general feeling of insecurity and disaffection has returned and increased. Nevertheless, in case of war the vast majority of the disaffected would doubtless fulfill their duties, if not enthusiastically, at least loyally. Nor should we overlook the fact that the classes which have performed their military service since the reëstablishment of conscription — in other words, the men who would form the bulk of the field forces in case of a war — have grown up under the Nazi régime and are generally more enthusiastic about it than the older generation is.

Inside the Army the relationship between men and officers is distinctly good. In the war and its chaotic aftermath German officers learned the need for a deeper comradeship between the leader and the led than had ever existed in the old Imperial Army. The new Reichswehr recognized that a humane relationship between officers and men need not conflict with the strict notions of discipline characteristic of the Prussian Army since the days of Frederick the Great. There are no indications that the advent of the Nazi régime has altered this.

It is harder to give a judgment about the regimental officers, whose situation is far more complicated. There is no doubt as to their professional qualifications and their capacity to train and handle men. All observers agree on that point, regardless of the troops in question. But the inner cohesion of the officers' corps inevitably suffered severely under the double strain of the Nazi revolution and rearmament, and politically the officers no longer form a homogeneous group, even in the restricted sense that that term applied to them in the Schleicher era. The old type of officer — politically conservative, strongly religious — is today in a minority, even though that minority still controls most of the higher commands. Against it stands another group, composed of officers of all grades who think the best way to get ahead is to champion the régime openly. Between these two minorities floats the great mass of the more or less politically indifferent. These "mere soldiers" are glad to let their immediate duties divert them from too close a scrutiny of the less attractive aspects of Nazidom.

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Actually, the inner unity of the officers' corps has been more affected by the enormous expansion connected with rearmament than by political dissension. The break-up of the old units has completely destroyed the long-established, close-knit cohesion of the regimental commands in the old professional force. The new regimental units are composed of such widely divergent elements as the officers of the Reichswehr, officers of the old Imperial Army called back to active service, and hastily promoted non-commissioned officers. In the turmoil of rearmament these have found little time to settle down into any kind of real unity. The situation has been aggravated by the constant absence of officers, particularly the younger ones, on all sorts of special courses. The regimental commanders have been unable to discover the real capacities of their subordinates and to weld them into homogeneous units.

More important, the rapid expansion of the commissioned personnel has produced a mass influx of new elements, and this has shaken the social unity of the officers' corps to its foundations. Even in the old Army the officers never formed the carefully secluded feudal caste so frequently imagined and described; and after the constitution of the Reichswehr the officers were recruited to a large extent from "bourgeois" elements. But like the British aristocracy, the German officers' corps had always stood for a certain type of man, a certain outlook upon life, a certain set of ideals and traditions; and its unity and strength depended upon adherence to these standards. Up to now it was able to form newcomers to its traditional mould, for these newcomers were relatively few in comparison with the mass into which they were mixed. And anyway, most of them came from social strata strongly predisposed toward the officer outlook.

Now, however, not only has the officers' corps been expanded on an unprecedented scale, but the better part of the influx has come from sections of the community — the peasantry and the lower middle class — whose attitude and social background differ fundamentally from that of the officer class. The task of the regimental commanders, who must see to the social no less than the professional education of these young officers, thus becomes extremely complicated. It is not merely a question of social distinctions and table manners; a fundamental difference in tradition and point of view threatens to dissolve the *esprit de corps* of the officers' class and to split it up into coteries.

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According to all observers, the conduct of the Army during the occupation of Austria contrasted markedly with that of the Party officials. The inference would seem to be that despite everything the officers' corps had once more been welded together into a homogeneous body. But the difficulty has not really been solved as simply as this; the fundamental problem remains, and it will inevitably become more acute as the Army becomes isolated in a state which moves further away from the conservative and Christian sources of its earlier strength.

For the moment this question of the inner reintegration of the officers' corps does not affect the military efficiency of the Reichswehr. The defects in the Army's staff work noted by recent observers are much more serious. To a large extent this deterioration is the inevitable result of the demand for more staff officers and the speeding up of their output. In the past, staff courses embraced such divergent subjects as infantry and machine gun tactics, air attack and anti-aircraft defense, transport and chemical warfare, in addition to the expanding mass of controversial and perpetually changing military lore. To these courses has now been added instruction in all sorts of political matters; while the already insufficient total of three years of study has been cut to two. The inevitable result is that the future staff officers acquire only a superficial notion of their functions.

This weakness could be borne if it were temporary. Unfortunately, this does not promise to be the case. The undeniable superiority which the German General Staff enjoyed during the latter half of the nineteenth century and up into the World War was due to its unique understanding of the Napoleonic war of movement bequeathed to it by such great thinkers as Scharnhorst, Clausewitz, Moltke and Schlieffen. The tactical superiority of the German General Staff lasted as long as the conditions which gave rise to this Napoleonic form of "pure strategy." True, the German command lost the decisive battle of the Marne as a result of its own faults rather than through any display of superior leadership by the enemy. Yet it vindicated its reputation again in such brilliant successes as the battles of Tannenberg and Lodz, and in the campaigns against Serbia and Rumania. However, the increased power of quick-firing guns and the use of trench warfare ended the mobile warfare for which the General Staff had been trained during three generations and so nullified its technical superiority.

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The German General Staff's failure to comprehend the full extent and fundamental character of the changes brought about by the World War has kept it from making the necessary radical revision of its fundamental strategic doctrine. German military thought has let itself be overwhelmed by the flood of new weapons and the problems they have created. Though it has manifested intense activity in various specialized fields of military technique, it has failed to arrive at a profound conception of modern war viewed comprehensively. The German staff officer of today, though far better educated than his prewar predecessor and though possessing a much wider understanding of political and economic issues, nevertheless lacks the immense intellectual strength which the old General Staff derived from its constant application of a simple and clearly developed doctrine.

This decline in the quality of military thought and training is particularly significant in view of the strongly offensive spirit of the German Army. The old preference for the offensive, which before the World War led German military strategists to underestimate badly the strength of the defense (although not so greatly as did Foch and his school in France), has not been shaken by the vast improvement of modern fire power. On the contrary, the Versailles Treaty's prohibition of tanks and other support weapons led the German Army, more than any other army in the world, to explore and develop the possibilities of infantry attack under modern conditions. According to the current German conception, it is still the infantry and not the tank which should be the backbone of the attack: the infantry therefore is diligently trained to fulfill that rôle so far as possible unaided.

At the same time, the remarkable development in recent years of tank design and tactics has led the German High Command to concentrate most of its tanks into large armored divisions, aimed at bringing about the decisive break-through by sheer weight and speed. Since experts have come more and more to accept the vulnerability of the tank to anti-tank gunfire, this concentrated attack independent of infantry support (as propounded by the former Austrian General Eimannsberger) seems to offer the best use for that weapon. At any rate, it certainly offers a much better chance of success than the rigid system recently codified by the French. If we add the intensive development of heavy artillery, always a favorite arm with the German Army, we see that the Reichswehr is indeed a most formidable instrument of offense.

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It must not be assumed, however, that this preparation for the attack denotes a neglect of the defense, as was the case before the World War. The German Army's experience in that conflict, as well as in more recent operations, has taught it that it must hold on many fronts in order to be able to attack decisively on one. Even more important, it has discovered the peculiar assets of the "luring defensive" — and with that discovery it has returned to the teachings of its greatest military theorist, Clausewitz. In its field manuals and military literature and at its manœuvres, the German Army therefore devotes as much attention to the defensive as to the offensive. Its equipment, for instance in heavy artillery, is as well adapted to the one as to the other. In the matter of anti-tank defense, a field to which German military thought has given particular attention, it outstrips all other armies. Each German division now has 72 guns — a figure which some would like to see raised to 135 — as against some 30-odd in the French and Italian divisions. The Reichswehr also gives chemical aspects of defense particular attention.

Finally, there remains the much discussed question as to how far the efficiency of the German Army, as compared with that of an army in a democratic country, has been impaired by the totalitarian character of the régime. In general, the tendency abroad has been to assume that the balance inclines pronouncedly in favor of the democratic army. Yet the experience of the last years, and above all of the recent crisis, does not support this view. Armament has come to play such a decisive rôle in modern warfare that the importance of technical considerations — organization, training and readiness to act instantly — has greatly increased in comparison with the importance of moral factors. There is no question as to the superiority of the totalitarian régime as far as technical matters are concerned; nor is it by any means certain that its morale would prove to be in any way inferior, at least at the beginning of a war and so long as there were no decisive reverses. On the whole, it seems that the factors which would destroy army efficiency in a totalitarian régime would come into play only in the course of a protracted struggle or as the result of far-reaching internal changes.

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ITALIAN AUTARCHY IN PRACTICE

An Example in the Field of Transportation

By Antonio Benni

THE gigantic strides towards autarchy taken by Italy in the last few years have aroused widespread interest, but also many misapprehensions both as to general objectives and as to practical achievements thus far.

The meaning of the word "autarchy" is evident enough from its etymology. Yet it would be a mistake to describe Italian autarchy as an attempt to achieve a condition of totalitarian economic independence in which no goods whatsoever are imported from other countries. The best definition of autarchy is the one given by the Duce in his historic speech delivered on the Capitol, March 23, 1936: "The dominating problem in this new phase of Italian history will be that of securing, in the shortest possible time, the maximum degree of economic independence for the nation. No nation can secure on its own territory the ideal of complete, one hundred percent economic self-sufficiency, and even if this were possible it would probably not be desirable. But all nations strive to free themselves as far as possible from economic dependence on foreign countries." The Duce pointed out that there was only one field in which autonomy should be striven for in the most absolute sense — national defense. In other fields, he declared, autarchy should not mean the abolition of all importations or the suppression of all commercial relations with other countries, but rather a systematic and careful organization of those relations. In fact, it is even possible that under an autarchic régime existing relations might be extended and improved or new ones might be created. There is only one basic criterion — attainment of the greatest possible general economic advantage.

In some cases Italy may wish to balance her trade with specified countries by buying from them the raw materials which she needs in her economic life. In some cases her exports may serve merely to create credits or foreign currency reserves which will enable her to purchase on the world market the consumption goods which she needs but cannot herself produce. There is also the case where Italy imports raw materials for use in the manu-

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facture of products designed exclusively for export. Italian autarchy does not preclude such imports. In fact, we encourage them, especially if labor costs represent a considerable fraction of the total value of the finished Italian product. We also favor the import of materials used to improve and enlarge our plants so as to permit us to enter new fields of production and thus eventually reduce the total of supposedly indispensable imports.

In order to apply these general principles, commercial activity with foreign countries has to be a function, direct or indirect, of the state, and it has to be exercised not just in emergencies but continuously. This rational organization, however, does not imply the "statification" of economic life. As the Duce declared in his speech on the Capitol: "The Fascist Government does not intend to 'statify,' much less to bureaucratize, the whole economy of the nation. It is content merely to control and discipline that economy through the Corporations. The activity of the Corporations has proved to be of the greatest profit and is clearing the ground for further systematic developments. The Corporations are organs of the state, but not mere bureaucratic organs."

Autarchy, in a word, is not being applied according to a fixed scheme. That would be absolutely out of keeping with the dynamic character of present-day world economy. Today, more than ever before, economic life is at the mercy of unforeseeable factors originating in a great variety of causes — historical, political, social. An attempt to force the whole activity of a nation within the limits of a rigid and over-particularized program would be a dangerous experiment and might lead both to bitter disappointments and to a serious wastage of national resources. If Italy is to face facts in the economic sphere with the same realism that the Duce has exhibited in other fields, she should follow a few very broad lines of policy rather than make herself the prisoner of abstract formulae.

The dynamic character of economic life today is due in part to the fact that science is continuously making improvements in technical equipment. In the past, international commercial relations were controlled by considerations of raw materials and so-called "natural industries," *i.e.* those which are suited, under conditions of *laissez-faire*, to a country's resources. These considerations inspired the classic economic theories long regarded as unassailable. Today they have lost much of their importance. The achievements of science and engineering every day open new

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horizons to human activity and increase human capacities for production and exchange. The miracles of chemistry and the new applications of electricity have wrought profound changes in the world's economic set-up and promise ones greater still. They furnish the best justification for the autarchic readjustment which Italy is working out, since they destroy the postulates on which free-trade economics based its theoretical distinction between "natural" and "artificial" industries.

The general guiding principles of Italian autarchy were laid down at the time when Italy was taking its first steps along the untrodden and rugged but sure road to economic revival. Today their soundness has been demonstrated by the severe test of three years of hard work. We find this demonstration in all branches of economic activity from foodstuffs to textiles, from mining to steel making, from power-production to transport. The recent meetings of the Supreme Commission on Autarchy provided most significant information on this point, supplementing the large number of specific reports published during the brief period of intense activity following the Ethiopian War.

In the field of communications, with which I am personally connected, a whole program on behalf of autarchy has been successfully executed. The transportation industry is, of course, intimately bound up with the economic development of a country as a whole, for not only does it carry the products of agriculture and of manufacturing but it is itself a consumer of such products. Consequently, the means of transportation can, and should, facilitate the proper utilization of the nation's resources.

I need not enumerate here the many ways in which the Italian State Railways have helped in this direction through the liberal application of so-called "concessional" freight rates, and through various special arrangements reached as a result of close and continuous contact between producers and carriers. In both maritime and land transportation there has been a special effort to favor, first, goods designed for export, and second, tourist travel — each of them an important source of foreign currency.

There are some industries which have a direct bearing on national economic independence but which can live only with special freight privileges or with the support of special railroad facilities, in return for which they are able to guarantee a considerable volume of business. It has been our experience, and very recently too, that in such cases agreements are easily arrived at.

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The problem is to find the common denominator of interests which usually are divergent but never contradictory. There are, for example, factories that specialize in different phases of the manufacture of a product indispensable to our economic autarchy. Such factories can be made parts of a single diagram of production if they are brought together by transport facilities and rates providing a minimum cost for moving partly-worked goods from one plant to another. Here, too, the interests of the carrier are affected by rate adjustments guaranteeing him increased business.

Italy is now making all her own rolling stock and other railroad equipment. In the automobile field we are also manufacturing all our vehicles, from the humblest commercial wagon to the most luxurious limousine; in fact, the Italian automobile industry has lately improved its plant so markedly that it not only meets all domestic requirements but also exports many cars. In the railroad field we are bending our efforts to find substitutes for imported metals: steel is being tried in place of copper in locomotive fire-boxes; new anti-friction alloys are being used in wheel bearings; light alloys and synthetic compositions are replacing bronze in passengar car furnishings; foreign velvets and mohairs are giving way to Italian fabrics in the upholstery of seats; aluminum is being used in place of copper in cars and also in long distance power lines. For our locomotives, cars and signal systems we have adopted devices invented by Italian engineers, and many of these appliances have won international recognition — the Caprotti valves for steam distribution, for instance, and the Breda automatic brake for freight trains.

If we compare the items for steam, traction, fuels and lubricants in the budget for 1922–23 and in the current budget we see the enormous progress made in the direction of autarchy. A whole series of innovations and improvements has enabled us to lower very considerably "specific consumptions" of materials imported from abroad — by which phrase I mean consumption per unit of actual performance. I might classify the steps taken as follows: (1) the elimination of waste in fuel and lubricants by technical improvements in fire-boxes and in heat distribution and oiling systems; (2) the overhauling of steam locomotives released from service on electrified lines, so as to cut their consumption of coal per unit of performance; (3) technical improvements in the design of new locomotives; (4) partial or

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total replacement of imported coal by Italian fuels on certain railway lines.

Before the Fascist era the consumption of coal on steam-drawn trains was 78.6 kilograms per ton-kilometer. In 1936–37 the figure was 50.9, a saving of 54 percent amounting to 970,000 tons of coal a year. Up to October 28, 1922, the consumption of lubricants on steam-drawn trains was 82 grams per locomotive per kilometer. By 1936–37 the figure had dropped to 15.8, a saving of 419 percent, or 7,600 tons a year. At present the steam locomotive is steadily giving way to electric traction and to internal combustion motors.

The electrification of the Italian railroads is so important, both in its bearing on autarchy and because it represents progress of world-wide significance, that we must pause to note the various steps by which it was achieved.

In the decade between 1922 and 1932 Italy's electrified railway lines grew from 700 to 1,952 kilometers. In 1934 there were 2,370 electrified kilometers in operation. Today the figure almost reaches 5,000 kilometers. Plans in process of execution will bring the total up to 9,000 kilometers. Power lines of high or super-high tensions (with voltages of from 60,000 to 130,000) now total 6,750 kilometers. Most of these have been built directly by the railway administration. The latter is constructing another 1,500 kilometers of power lines which will traverse virtually the whole peninsula from north to south and east to west. Throughout this whole system the supplies of power at the various production plants are tabulated daily so that loads may be distributed most advantageously. By better organizing the distribution of power and by cutting down the loss of current on long-distance lines we have been able very considerably to reduce the electric consumption of trains. By these measures, and others such as the more general use of 130 kilovolt feed lines and the increasing extension of electric traction, the mean consumption of power per ton-kilometer has dropped by 10 percent in recent years — from 32.5 watt hours in the period 1931–35 to 29.4 watt hours in the year 1936–37.

The railway lines already electrified include a number of sections that carry the heaviest traffic. Though the electrified lines form only a quarter of the total mileage of the State Railways, during the year 1936–37 they accounted for 25 billion kilometer-tons, or nearly half the total traffic (57 billion kilometer-tons).

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During the same year steam locomotives consumed 1,800,000 tons of coal, virtually all of which had to be imported. If none of the lines had been electrified there would have been needed an additional 1,300,000 tons — which figure, therefore, represents the saving realized by electrification. If we compare this with the country's total coal consumption we discover that railway electrification has allowed us to cut our coal imports by 10 percent — a very appreciable amount. Electrification now being installed will save another 350,000 tons. Final completion of the electrification plan will result in a total saving of 2,500,000 tons, or 20 percent of our present coal imports. In the end we shall require only 600,000 tons annually for the 8,000 kilometers of railroad left unelectrified. This residue will be further reduced as more and more motor-trains are used on lines of secondary importance. It is also possible that on certain of these minor lines service can be maintained with Italian-produced fuels, as is at present the case in Sardinia.

Considerable progress towards autarchy is also to be noted on the 6,000 kilometers of privately-owned railways: electric traction is employed on 1,830 kilometers, liquid fuels on 1,370, and steam on 2,800. Here, too, heavy-traffic lines tend to be electrified: 13 million train-kilometers are to be recorded for the electric lines against 14 millions for the other two types. On interurban lines, which in Italy are really local railroads, electric traction prevails on 1,800 out of a total of 2,700 kilometers; in the matter of train-kilometers, however, the electric lines account for 36 out of a total of 38.8 millions. The use of electricity on interurban lines represents an annual saving of about 400,000 tons of coal. The remaining types of lines consume about 146,000 tons of coal and 763 tons of liquid fuels annually. The extension of electric traction to these supplementary lines and the use of motors driven by Italian-produced fuels will result in further savings of coal. Two lines are already running on natural gas.

In the field of automotive traction the experimental phase has been definitely passed, though for the present we are confining our application of those experiments to public bus lines. These lines use a total of about 9,000 motor vehicles, representing an annual performance of better than 100 million bus-kilometers. In recent years the use of electric trolley busses has spread rapidly. On January 1, 1938, 101 of them were in service; within the following 8 months this number had risen to almost a thousand. Natural gas is abundant in the mountain districts of Tuscany and

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Emilia, where its use has developed rapidly. On September 1, 1938, 617 busses and 360 private cars were operating on natural gas. Thus far relatively few vehicles have been built to run on *gassogeno* (gas obtained from charcoal), though a number of busses and cars originally designed for gasoline have been transformed so as to consume this synthetic substance. By the end of 1938 nearly a thousand busses and about half as many private cars had been reëquipped to use "gasogene."

Plans for the use of unmixed grain alcohol as a fuel have not as yet been put into execution; but as soon as the problem of production has been adequately solved, grain alcohol will be employed, either in mixture with gasoline or by itself, along lines that have already been well developed technically as a result of numerous experiments. The use of wood alcohol is gradually increasing in rhythm with a progressive expansion in production: on September 1, 1938, 180 busses were operating on wood alcohol as compared with 25 at the beginning of that year. The use of crude oil, obtained from either Albanian or Italian sources, has been extended to virtually all the busses that are equipped to burn it. There were 2,100 such vehicles last September.

However, I need not go into greater detail to show that in the field of Italian transportation the general lines of autarchic theory are being faithfully followed. What guarantees us success is our realization that the problem of autarchy taken as a whole is extremely complicated and that all the agencies interested in seeing it achieved must work together in harmony if we are not to upset the national economy's general equilibrium. The Corporative Régime implies order, balance, conciliation of differing interests and the subordination of individual advantage to the general requirements of the nation. In that atmosphere autarchy can bear its full fruit.

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THE GREAT BOLSHEVIK CLEANSING

By Joseph Barnes

THE Russians have a word "*chistka*" which means "purge." Foreigners have been in the habit of stretching this word to cover all aspects of the "governmental housecleaning" which has been going on in the Soviet Union in recent years. Called by any other name, this rapid turnover in Soviet offices would seem less formidable. In capitalist countries, managers and directors are dismissed or succeed each other in numbers large enough to make impressive totals; and in Russia itself the recently promulgated doctrine of the "career open to the talents" has speeded up the normal process of personnel replacement. In Russian usage, many of these dismissals do not come under the word "purge." That term is applied specifically to the process by which Communist Party members are brought to book — and in recent times, often arrested and even executed — in order to preserve the Party's orthodoxy and integrity.

Yet even in this restricted sense, the most recent Bolshevik purge has been of large dimensions. In December 1932, the All-Union Communist (Bolshevik) Party listed 2,000,000 members and 1,200,000 candidates (Communists of slightly junior status). Two years later, on January 1, 1935, after the traditional purging process had been completed, the Party numbered 1,655,000 members and 334,000 candidates. One out of every three had been expelled. Since then further expulsions have taken place as a result of a "verification of party documents," an "exchange of party documents," and the campaign for political vigilance. Although no detailed figures have been published on the extent of these latest cleansings, it is believed in Moscow that in November 1937 the Communist Party numbered approximately 1,500,000 members and candidates, less than half its strength five years before.

Even these figures do not indicate the full cost to the Party of its latest campaign to keep its structure "monolithic" — to use a favorite Communist adjective. The highest organ of the Party between congresses is the Central Committee. At the last congress, held in January and February 1934, a Central Committee was elected containing 71 members. Less than four years later, only 21 of these were still active in political life. Three had

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died; one had been assassinated; 31 had lost their jobs with varying degrees of disgrace, many of them while under arrest; one had committed suicide; nine had been sentenced to the "highest measure of social defense — shooting;" while only five had disappeared from the public eye quietly and without reproach.

No branch of the Communist Party has been spared the purge. Two members of the Politburo itself, the small executive body which reputedly meets every day inside the Kremlin, have disappeared within recent months. Three former candidates for the Politburo, including men who were known to have Stalin's closest confidence, are now listed among the casualties.

Finally, it must be noted that even those who have done the purging have by no means been immune. In the later phases of the weeding-out process — that is, since the "exchange of party documents" was completed on May 1, 1936 — official expulsion from the Party has often been preceded by police action on the part of the Commissariat of Home Affairs, or the NKVD as it is usually called. Yet of the 20 persons who were leaders of this organization on November 25, 1935 — at which time their anonymity was ended by the public distribution of titles of rank — one has been executed, one has died, ten have dropped out of sight, five have been denounced as traitors, and only three are still alive and working.

II

The purge is nothing new in Communist history. The Bolshevik faction originated in the expulsion of the Mensheviks from the Russian Social Democratic Party. The traditional claim of the Bolsheviks to act as the workers' trustees during the dictatorship of the proletariat rests, in their own words, on their pledge to purge their own ranks of all who threaten the honest fulfilment of this trusteeship. "All the revolutionary parties that have hitherto fallen," Lenin wrote, "have fallen because they became proud and were unable to see where their strength lay and were afraid to speak of their weakness. We shall not fall, because we are not afraid to speak of our weakness, and we will learn to overcome our weakness."

The Control Commission of the Party was set up in 1920 to cope with the problem of detecting such weakness, and its chief instrument was the purge. The 76,000 organized workers who had been members of the Communist Party at the time of the sixth

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conference in April 1917 had grown to 600,000. The first major purge, undertaken in 1920, employed the procedure of re-registration, and when this had been completed 250,000 of the 600,000 had been excluded from the Party.

There came a series of minor actions, called "testings." In 1924, with the New Economic Policy in full swing, all members not actually involved in production jobs were thus "tested." They made up one-fourth of the party, and 60 percent of those "tested" were expelled. In 1926, there was a similar "testing" in the villages; and in 1927 a partial re-registration dropped 46,000 members. The next major purge took place in 1929, after the struggle with Trotsky. This time approximately 100,000 members were expelled, more than 10 percent of the Party's total strength.

Then came the most recent purge, which was started on January 1, 1933, and was expected to be completed in a year. Lazar M. Kaganovich, as the head of the Control Commission, was put in charge of it. The procedure followed traditional Communist lines. Open meetings were held by every party unit in the country and at these each member was required to review his own personal history and recent activities before his fellow-members, as well as before non-party workers and peasants. Usually a "troika," a three-man commission of party stalwarts, was delegated by a higher party unit to supervise each local purge. It was generally understood that the purge was intended to clean up the débris of the first Five-Year Plan, to eliminate careerists and adventurers who had been overlooked while the Party's attention was focused on industrial construction and the collectivization of the land.

A year later, Kaganovich announced that 182,500 party members and candidates, or 16.8 percent of those examined, had been expelled. An additional 6.3 percent were demoted to the status of "sympathizers," a form of modified expulsion. Many were expelled for personal reasons: drunkenness, loose living or irregularities in their private finances. During this initial phase of the purge, a relatively new charge — "passivity" — was levelled against many members, and it is now clear that it was used in many cases against Communists who were simply following Stalin's current injunction to "master technique" and who had buried themselves in work to the neglect of their party duties. During this same year, the purge turned up 56,500 "dead souls,"

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people who had died or had been swallowed up in the swarming confusion of the first Five-Year Plan. Kaganovich asked, and was given, a year's extension in which to complete the purge.

The proceedings of the seventeenth congress of the Party, held at the beginning of 1934, provide convincing evidence that Stalin, Kaganovich and other party leaders believed then that the purge could be successfully and quickly completed along the lines on which it had been started. At this congress former leaders of the party opposition competed with each other in protestations of repentance. The struggle with the peasantry had been won. Bread cards were to be abolished within twelve months. The congress gave its Communist blessing to the popular mood which Stalin himself expressed in the slogan: "Life has become better, comrades, life has become happier."

But beneath the surface of party unity, it now is clear, there were problems which cut as deep as the revolution itself. In the first place, the Party was no longer a small, cohesive group, insulated from responsibility and temptation. During the early years of the revolution it had been a state within a state; but by 1934, out of 861,000 responsible offices in government institutions 250,000 were filled by Communist Party members. In the second place, the ordeal of the first Five-Year Plan and of collectivization had left festering sore spots where they were not easily seen, especially among those Communists who had earlier balked at the speed with which the revolution was moving. Thirdly, the Japanese conquest of Manchuria, followed by Hitler's rise to power in Germany, had freshened old doubts about the certainty that Russia would enjoy that breathing space, free from foreign attack, on which the Stalinists counted for the construction of socialism in one country.

When the higher ranks of the Party realized this situation, they looked for assistance to measures other than the purge. On May 25, 1935, the Society of Old Bolsheviks was abolished. The campaign in the party press against doctrinal deviations was intensified. But purge begets purge in the Soviet Union, and control begets opposition. The facts behind the assassination of Sergei Kirov, one of Stalin's most trusted lieutenants, in Leningrad at the end of 1934 have by now been thoroughly confused through charges and counter-charges made at successive trials. The only thing quite clear is that the incident was a symbol to the Kremlin of the failure of two years of purge. By January 1935,

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Kaganovich had been sent back to industry; his Control Commission job had been given to Nikolai I. Yezhov, a young and intransigent Bolshevik without the encumbrance of a prewar revolutionary past. And oppositionists inside the Party, who may have hoped until then to squeeze unharmed through the purge and later to bend the revolution to their own pattern, had been reminded of the Bolshevik doctrine that there is no middle ground between orthodoxy and betrayal.

Under Yezhov's control the purge continued along different lines. Instead of open meetings, members faced small boards of examiners who worked under strict instructions from the Central Committee. In a confidential circular dated May 13, 1935, every district Communist unit was instructed to verify the party documents of all members. As a result, an additional 8.9 percent of the members and candidates had lost their party tickets by the end of the year. From February 1 to May 1, 1936, a further check-up was instituted through a complete exchange of party documents. This is estimated to have cut the membership by another 5 percent.

III

The first of the major treason trials, that of Kamenev, Zinoviev and others in August 1936, was the signal for what Bolsheviks began to call, instead of "the purge," "the great cleansing work." The 16 defendants in this trial, who included several "old Bolsheviks" of Lenin's generation, were found guilty and executed. Although the fact was realized at the time by few persons, even among the party leaders, this trial laid down the general lines along which the Party was to undertake, during the following two years, its greatest internal reconstruction since 1917. These lines were more clearly defined at a plenum of the Central Committee in March 1937, when Stalin threw the entire machinery of the Party into gear behind a new assignment — "master Bolshevism." There were three principal points in the Kremlin analysis of Russia's political situation, and although they were stated at this plenum, they became fully articulate only in the program of action which was revealed during the next eighteen months.

The first of these was the conviction, amply reinforced by Soviet experience with "reformed Trotskyists," that deviation from the "party line," if persisted in, inevitably becomes counter-revolution. Contemporary Bolsheviks are unconcerned with the

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problem — and this is the chief reason why the purge is not understood abroad — of whether an oppositionist has become a traitor consciously or unconsciously: the pressure and the logic of the class struggle have come to identify party opposition with treason; the measure of conscious choice involved in the case of any individual is therefore regarded as unimportant. The party leaders have translated this conviction into action, first, by repeatedly restating it through the press, party meetings and a series of spectacular trials, and secondly by increasing the organized vigilance against possible heresy to such a point that it has threatened to stifle intellectual activity inside the Party.

The second contention was an identification of bad work with sabotage. Few Communists whose work was going well suffered during the wholesale cleansings of 1937 and 1938, whereas thousands who had failed to fulfill their schedules according to the plan faced political charges before the Party. Here also the problem of individual motivation has been disregarded by the Bolsheviks. The simple assumption that failure was a symptom of political unreliability was based, in the first instance, on the undoubted existence of a large amount of real sabotage, and secondly, on the difficulty, under a Socialist economy, of removing venerable but inefficient heroes of the barricades from sinecure positions. The problem was made easier by the political advantages of holding up enemies who could be blamed for many of the small miseries of life. Finally, it was made irresistible by the upward pressure, within the Soviet system, of a new generation which is confident, single-minded and inclined to be exigent.

The third factor was the extreme urgency of the situation two years ago. Both inside Russia and abroad, the Kremlin was faced with issues which would hardly wait for mild methods, even had these been congenial to the Bolshevik mind. Stalin's few published speeches during 1937 all underline the necessity of speed and thoroughness. Lenin liked to quote Peter the Great: "The loss of time is like unto irretrievable death," and the younger generation inside the Communist Party has been carefully taught to be impatient. The systematic way in which department after department and region after region was purged of elements with which the Bolsheviks had been glad to work in temporary alliance only a few years earlier suggests a decision some time at the end of 1936 to push the "great cleansing work," once started, to its bitter end.

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In 1937 Nikolai Yezhov was still at the head of the Control Commission; but he had also become Commissar of the NKVD, which combats treason instead of mere unorthodoxy. The ranks of this commissariat had been strengthened by a special mobilization of younger Communists. Yezhov appears to have been their spokesman inside the Kremlin. The traditional purging methods of the Party were now implemented by arrest. Responsible workers were sent from Moscow to every district of the Soviet Union, where rank and file indignation against the abuses of individual leaders began suddenly to appear. Although subsequently published details have left little doubt that this indignation was real, it could hardly have become articulate with such synchronization throughout the country without a clear signal from the Kremlin.

The cleansings reached their peak in October and November 1937. On one hand, every party leader whose past was tainted with "Trotskyism," "Bukharinism" or "bourgeois nationalism" was removed from office. On the other, a large number of party officials whose work was not up to plan, or who had made more enemies than friends in their own constituencies, were voted out. The later fate of both groups appears to have depended directly on the amount of opposition they presented to the moves to oust them. Many of those purged during 1937 accepted their disgrace with what Bolsheviks call "self-criticism," and have survived in lesser posts. Others, including the Red Army group led by Marshal Tukhachevsky and the People's Commissars who were tried in March 1938, undoubtedly were at first unwilling to admit their errors and began to take counsel with each other. How far these discussions fell short of being conspiracies and how far they were motivated by sincere desire to save the revolution are interesting psychological questions on which there is little evidence. The Kremlin saw only a political question, and "liquidated" it.

When disclosures of opposition among the Party's leaders reached their highest point — in the autumn of 1937 — there apparently was little talk of popular revolt. In the tangled motives confessed by defendants in subsequent treason trials there is no mention of any consciousness of mass support, even inside party ranks. The "generals without an army," as the defendants were called in the Soviet trials, apparently had no press, no organization and only conspiratorial meetings.

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In spite of this, the expulsions were on a mass scale. The nearest approach to an official figure is the admission by Leo Mekhlis, now one of Stalin's closest colleagues, that they numbered "several tens of thousands." The heightened vigilance inside the Party naturally led to increased activity by the political police and to a certain degree of nervous tension among almost all groups of people in the Soviet Union. Foreigners living in Russia came to be regarded as centers of political infection if not as actual spies. Revolutionary vigilance developed to a pitch where it was indistinguishable from promiscuous denunciation.

In Kursk province, for example, 1,832 Communists (9 percent of the membership) were expelled during 1937. Archangel province expelled 1,254, with some sections purging more than a quarter of their members. Nearly half the Communists living in Kiev, capital of the Ukraine, were purged by one secretary in less than nine months. Many of these expulsions had little in common with the traditional Communist purge. In Azerbaidjan, at a single meeting on November 5, 1937, 279 members were expelled *en masse;* in Novosibirsk two days later a similar meeting expelled 72; in Stalingrad, on November 26, a single meeting expelled 69. Individuals have been found who wrote and signed as many as 67 denunciations of their comrades.

Most of these expulsions were justified by the formulas "enemy of the people" or "links with enemies." But individual unscrupulousness, combined with an officially-fostered "vigilance" amounting almost to terror, made it impossible for the accused to defend themselves against such charges or for their judges to prove them. At Sverdlovsk in 1936, 15 Communists attended a birthday party: one of their number was arrested in 1937; the other 14 were immediately expelled from the Party. When the director of the Tartar Pedagogical Institute was arrested, every party member teaching or studying in the institute was at once expelled and the unit disbanded. In Kamenets-Podolsk, a school-teacher was expelled from the Party on the basis of an individual denunciation which declared that she had had a baby every year as a cunning disguise to conceal her real politics beneath this appearance of loyalty to the Soviet régime.

IV

By January 1938, the leaders of the Party were prepared to begin the slow, hard job of stopping this "great cleansing."

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The plenum of the Central Committee openly declared that the purge had been misused by careerist Communists guilty of "a criminally light-minded attitude toward the fate of individual members." Vigilance was still the order of the day, but excesses committed in its name were severely censured. The campaign "to master Bolshevism" was redefined as a struggle for political education rather than as a promiscuous rounding up of traitors. Party units were instructed to speed up the hearing of appeals from expelled members, and to take immediate action against those who had thought to find safety in the denunciation of others.

The resulting "purge of the purgers," as it has been called, is still continuing. It is easier to start an avalanche than to stop it. Each successive phase of the purge since 1934 has disclosed new reservoirs of fear, ambition and mistrust pent up during Stalin's "iron age" between 1929 and 1933. But the results of recent appeals from expulsions, of which approximately 50 percent are reported to be successful, and a new recruiting campaign for members, indicate that this purge has at last reached its final phase.

By the end of August 1938, according to figures of the Central Committee, a total of 154,933 appeals had been received, of which 85,273 had been heard. Of the latter, 54 percent had been reinstated. It is difficult to base conclusions on the results of these appeals, since only an unknown fraction of those expelled have filed appeals. We do know, however, that in 1938, when the influence of the Kremlin was thrown definitely against all excesses of "super-vigilance," fully as many reinstatements were won by members expelled during the early years of the purge as by those who fell in the "great cleansing work" of 1937. This is especially true on the periphery of the Soviet Union. In Kirghizia, for example, more than 1,000 appeals had been heard by September 1938. Of those whose expulsion dated from the period of the purge proper — that is, between 1933 and 1935 — 43.6 percent were reinstated. Many of these were found to be honest workers expelled for "passivity" by Communist leaders who themselves were later arrested. In the case of the expulsions that took place during the verification and exchange of party documents, 52 percent of those who appealed were reinstated. Among those who were expelled during 1937, only 22 percent of the appeals were granted.

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V

Admission to the Communist Party was closed at the beginning of the purge in 1933, except for rare cases of "Heroes of the Soviet Union" and a few Stakhanovist workers. It was officially reopened only on November 1, 1936. For three years and ten months it was impossible to join the ruling party. Even after the ranks had been declared open, the purge was found to have created such widespread suspicion that relatively few applicants could secure the necessary testimonials from party members. Between November 1, 1936, and the end of 1937, 46,289 persons were admitted to the status of candidate, and 51,675 candidates were advanced to full membership. After the January 1938 plenum had quieted the fears of many members, admissions multiplied. At the end of September 1938, it was announced that 450,000 applications had been received since November 1936, that 250,000 new candidates had been admitted and 100,000 candidates made full members.

These new members represent a sharp break with the Bolshevik tradition of professional revolutionists. For the most part, they are young workers or collective farmers. They have reached maturity in the years of socialist reconstruction. They have no first-hand knowledge of any other social and economic system, and the imperative demands of their daily work leave them with little time or desire for theoretical speculation. Instead they have a technical proficiency — something new in the ranks of the Party. Figures showing the increase in educational qualifications among Communists help more than many Kremlin speeches to explain the acute personnel difficulties of the first two Five-Year Plans and the political problems which they in turn produced. In 1927, on the eve of Stalin's "iron age" of industrialization, there were exactly 751 Communists in Russia with a higher education in some field of engineering. Ten years later, they numbered 47,000. In addition there were 42,000 skilled mechanics who had not yet completed engineering courses. In 1927, there were 9,600 Communists who had completed higher education in any field; in 1937, there were 105,000. Communists who had graduated from secondary schools numbered 104,000 in 1927, 260,000 in 1937.

These younger Communists, educated along predominantly practical lines, have not only taken over fledgling industries;

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they have in large measure taken over the Party itself. The following figures are based on an analysis of the delegates elected to the 1938 conferences of the Communist organizations in six representative cities: Moscow, Leningrad, Kiev, Irkutsk, Ulan-Ude and Tashkent. Of a total of 2,929 delegates, 2,021 (or 69 percent) were delegates to such conferences for the first time in their lives. In Moscow, 11 percent were under thirty years of age and 63 percent were between thirty and forty. In Leningrad, 14 percent were under thirty and 70 percent between thirty and forty. Figures for the other cities show the same preponderance of younger people. Between 11 and 16 percent of the delegates were women. In Tashkent, 8.6 percent of the delegates had higher education, in Kiev 16 percent, in Moscow 20 percent, in Leningrad 24 percent. Most striking of all was the relative absence of prewar Communists. In Tashkent, 57.3 percent of the delegates had been members of the Party for less than ten years. In Ulan-Ude, capital of Buryat-Mongolia, 52 percent had joined the Party in 1931 or later. In Moscow, 65 percent had been admitted to the Party since 1925 and 37.5 percent since 1928.

The heavy turnover in the executive personnel of the Communist Party can be understood only in its Russian context of human backwardness with which the Communists have had to struggle even in their own ranks. In Uzbekistan, this year's party congress was featured by the inclusion among the delegates of educated young Central Asians, former herdsmen who have become engineers. Yet the party ranks in this region still contain 1,212 (or 4 percent of the total) who cannot read or write, and an additional 12,719 who can read but who have not yet had even elementary schooling.

The Bolsheviks have found this problem of backwardness harder to solve in the Russian countryside than in the cities. From November 1936 to July 1938, only 27,997 new candidates out of a total of 141,132 admitted to the Party lived in rural districts. Under specific orders from the Central Committee, an effort has been made to change this proportion, and in the four months after July 1938, 49,000 collective farmers were enrolled. Although the purge affected rural party units far less than urban, the development of party machinery in the new collective farms is still inadequate. In Voronezh province, for example, where there are 5,328 collective farms, only 319 have party units. In Rudnyansky, Smolensk province, a typical Soviet farming

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area, 81 of the district's 150 collective farms do not include a single Communist; and of the 61 Communists in the district, 35 live in Rudny, its semi-urban trading center.

VI

The Bolsheviks have not been reluctant to break with their own leaders. Lenin broke with Plekhanov, Kautsky and Martov before the War; while Stalin has purged Trotsky and many others who at one time enjoyed great power.

But more important than leaders in the history of the Russian Communist Party have been two features which sharply distinguish it from other revolutionary movements: its party discipline and its expounded doctrine. The first has given the Bolsheviks their ability to manœuvre, to adjust the party line to Lenin's "stubborn facts." The second has given them the assurance that these manœuvres will not defeat themselves, that successive tactical zigzags in policy will not become sheer opportunism. What has Stalin's purge done to these?

For the first time, Bolsheviks have been executing each other on a large scale. Before the war, spies were found in the Central Committee of the Party, but never in the past were they able to push the Party so perilously close to demoralization. Further, the current identification of opposition with treason has threatened more seriously than ever before the intra-party democracy on which, according to the Communists' own claim, party discipline has always rested.

In recent months, the Kremlin has shown that it sees this problem. It has launched a campaign intended to salvage as much as possible of the Communist Party's former moral strength inside Russia. Parts of the "*mystique*" on which this rested may have gone forever: building factories and purging "enemies of the people" are less exciting tasks than storming the Winter Palace. But the Party has now been mobilized in a fresh offensive — a reaffirmation by its members of that confidence and pride which the purge had undermined. A Central Committee decree dated November 14, 1938, ordered the first steps in an attempted return to "comradely discussion." Theoretical speculation again has the blessing of the Kremlin, although it is likely to win favor slowly in many Communist minds grown rusty with discretion. In a new political Bible, "A Short Course in Communist History," which Stalin is believed to have written and which has been published

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in a first edition of 6,000,000 copies, the Party has been given the latest version of its recurring assignment: "master Bolshevism."

This is certain to prove a difficult task for the older Communists. In this historical introduction to 1938 orthodoxy, Trotsky's services to the Red Army are not mentioned, while he is described as having disobeyed Lenin's and Stalin's direct instructions when he refused to sign the first draft of the Brest-Litovsk Treaty in February 1918. Marshals Tukhachevsky, Egorov and Bluecher are not listed among the generals who helped to win the civil war. It is declared as historical truth that Bukharin planned to arrest and murder Lenin, Stalin and Sverdlov in 1918.

For a younger generation of Communists, already past the threshold of power in Russia, this rewriting of history to meet present political demands will present fewer problems. The Biblical adage, "By their fruits ye shall know them," has its equivalent in contemporary Soviet language, and there are few young Russians who are not convinced that Trotsky, the executed generals and the other leaders who were purged were in effect giving aid and comfort to the Fascist enemy. It is on this basis that Stalin is now trying, as Lenin tried immediately after the seizure of power in 1917, to establish a new orthodoxy in which party democracy and discipline may again flourish side by side.

In this attempt, Stalin is greatly strengthened by the fact that the basic doctrines of the revolution have not been altered in the course of the purge. For this the tough elasticity of Marxism is in part responsible; but most Russians sincerely believe that the ideas of 1917 are nearer realization now than when the purge began. One of the goals of Communism — that "withering away of the state" which so many gentle-minded Communists have tried to hasten, only to wither away themselves — has now been officially scheduled to arrive only when Russsia's "capitalist encirclement" has disappeared. The other chief goal — the distribution of the good things of life "according to need" instead of "according to work done" — is, in the belief of the young men now running the Russian Revolution, already in sight.

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MACHIAVELLI AND MACHIAVELLISM

By Guglielmo Ferrero

MACHIAVELLISM is the name given to a doctrine which might be summed up as follows: The supreme law of politics is success. Politics, therefore, cannot recognize any moral law as binding. What is bad in the conduct of individuals can be the most imperative of duties for a statesman if the good of the state so demands. This doctrine is named after its creator, Niccolò Machiavelli, statesman, historian and philosopher, who was born in Florence in 1469 and died in the same city in 1527. The nineteenth century saw in Machiavelli one of the creators of modern thought because he freed politics from slavery to theology. Until his time politics had been either empirical or a branch of theology. With Machiavelli it became a free science depending only on reason.

In all this there is only one inconvenient factor, namely, that one looks in vain for a complete Machiavellian system in the works of Machiavelli. He set forth his political doctrine in two works, "Discorsi sopra la prima deca di Tito Livio" and "Il Principe" ("The Prince"). The first is a treatise on republics, the second a treatise on monarchies. I have read the "Discorsi" many times without ever finding any trace of the doctrine called "Machiavellism." They contain ideas and advice on how to organize a republican government. The ideas and the advice are always ingenious, though sometimes a little too theoretical; but nowhere is consideration given to the connection between morals and politics. Machiavelli maintained neither the doctrine that morals take precedence over politics nor the contrary theory; the question is simply outside the framework of his interests.

One cannot say the same of "The Prince." All the pretended doctrine of Machiavellism originates in this little book. This, however, is not to say that it can be found there. To understand this paradox — that a doctrine originates in a book which does not contain it — we must read the book without preconceptions. What does one then find there? A short treatise on monarchy, full of good advice and bad advice for sovereigns of all epochs. The good advice is more abundant, but it has the fault common to all good advice of being more easy to give than to follow. The bad advice is more practical, but fortunately less abundant — a

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fact which enables us to examine it in detail. It falls into three parts.

I. THE THREE EVIL COUNSELS

In the third chapter of "The Prince," Machiavelli advises a usurper always to exterminate the dynasty he has dispossessed, otherwise he will never be sure of his crown. This counsel is atrocious; but does it not prove that Machiavelli was not sufficiently Machiavellian? A Machiavellian writer would have been too cautious to stir up all the theologians of the Western World by advising anything so compromising and would have limited himself to stating that no throne won by force is safe so long as a member of the preceding dynasty remains alive. Usurpers in every age would easily have understood from this quite harmless text the evil advice which the author intended to convey.

The seventh chapter of "The Prince" certainly apologizes for treason and assassination in discussing Cæsar Borgia. A most shameful chapter! But one has only to turn the page to find a passionate refutation. Agathocles, tyrant of Syracuse, was a successful Borgia; yet despite his success, he is flayed for his crimes in the eighth chapter, which concludes on the note that genius alone cannot make a great man out of a villain. Why, then, does the seventh chapter exalt what the eighth condemns?

But the great scandal of Machiavellism is the doctrine of perjury set forth in the eighteenth chapter. We read there these celebrated words: "Therefore, a prudent ruler ought not to keep faith when by so doing it would be against his interest, and when the reasons which made him bind himself no longer exist. If men were all good, this precept would not be a good one; but as they are bad, and would not observe their faith with you, so you are not bound to keep faith with them. Nor have legitimate grounds ever failed a prince who wished to show colorable excuse for the non-fulfilment of his promise."

Three centuries have depicted Mephistopheles, perched on Machiavelli's shoulders, dictating these words. Yet when we scrutinize this text, what do we find? The theory *rebus sic stantibus* is familiar to the jurists. In a few brutally direct lines, Machiavelli says what generations of jurists have repeated in involved legal terminology — that a state need not observe a treaty when altered circumstances make observance too difficult or dangerous.

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II. A PROPHET IN CHAINS

That is all. The pretended doctrine of Machiavellism is thus reduced to a few passages in "The Prince," not connected with each other nor with the rest of the argument, which could be either suppressed entirely without mutilating the work or rendered quite inoffensive by disguising their thought in less frank terminology. Anyone acquainted with the life and character of Machiavelli knows that these fragments of his thought, on which a whole theory of conduct has been erected, are nothing but bad-tempered explosions. This leads us to ask: What sort of a person was this man whose ill-humored remarks have troubled mankind for four centuries?

He was a prophet, chained to an inferior post in a tiny republic. Yet he was born a poet of rare gifts, as his play, "La Mandragola," well testifies. Although a low farce, the sharpness and depth of its characters make this play one of the most bitter and powerful dramas in all literature. One can only speculate on the dramatic miracles Machiavelli might have wrought had he chosen greater themes. But in the early sixteenth century the Italian theatre offered at best occasional distraction or coarse amusement; there was no demand for the profound. "La Mandragola" was, and is still, a masterpiece. The cultured Italian of that day read Petrarchian lyrics and chivalric poems — too mild a medium for so burning a spirit as Machiavelli. Having no outlet for his talents in literature, this poet in search of a poem turned to the past — to history, politics and philosophy. But he was far too gifted to become a mere erudite chronicler or fashionable moralist. His plunge into the past and his reflections on the present set his imagination aflame. He divined the future, and became the prophet of the Renaissance.

III. THE RENAISSANCE

The Renaissance was a new orientation of the Occidental mind, a sweeping revolt in intellectual and political life. In my opinion, art declined during this period. The search for old forgotten patterns deprived sculpture, painting and architecture of the vigor, freshness and power that characterized them in the Middle Ages. The revolution brought about by the renewed study of antiquity is rather to be found elsewhere: in the states, the armies and the Papacy's rôle in European affairs.

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In the Middle Ages the Pope was not only the spiritual shepherd of Christian Europe, but the head of a veritable empire, with governors, provinces and tributes at his command. He had no need of soldiers to enforce his rule or to amass large sums of gold and silver. Bulls and benedictions — paper, ink and words — sufficed. This unarmed Second Roman Empire, perhaps the most extraordinary empire in history, was for centuries upheld solely by the written and spoken word. And what a wonderful civilization flowered in its bosom!

The Middle Ages gave birth to Saint Anselm, Saint Francis of Assisi, Saint Dominic, Saint Thomas, Saint Louis, Dante, Petrarch, the architects of the Gothic cathedrals, Giotto and the Siena primitives, the Beato Angelico, Joan of Arc, and scholasticism. Mediæval civilization strove for centuries to raise a ladder from the earth to the sky on which mankind could climb to Paradise. In building this ladder humanity lost nearly all its scientific knowledge. It was content with a rudimentary organization of political power; it allowed the art of warfare to be forgotten; it could neither build armies nor fight; and its only conflicts were between small amorphous hordes armed with two weapons in their primitive form — fire and steel.

The Renaissance, by organizing society and arming the states, destroyed this mystic anarchy and this spiritual ascent to Heaven. For this a series of extraordinary events was responsible: the geographical explorations of the fifteenth century, the world-wide expansion of Europe, the unveiling of the heavens by scientific astronomy, and the invention of the printing press and firearms.

The discovery of traces of an imposing political and military civilization in the ruins of Greece and Rome precipitated the revolt. The human spirit, arrived at the gates of Heaven, abruptly returned to earth, determined to explore it, to seize its treasures, to learn anew the science of war and of politics, to solve the enigma of life and of history. As states and armies sprang up, as human thought penetrated the mysteries of nature and of man, the sacred word lost its potency; domination by supernatural power grew feeble; the unarmed Roman Empire declined.

IV. ITALY AND THE RENAISSANCE

Machiavelli was the first to sense this upheaval and to foresee certain of its consequences. Therein lay his originality. Was he an

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historian? A philosopher? A politician? He was all of these and more, for he possessed some indefinable quality which cannot be described or analyzed, yet is essential; and that undefinable something was his glory. He was, for example, the only man of his time who knew that Italy was in danger, and why. Modern European history is unintelligible until we understand that for other nations — for France and England — the Renaissance meant rebirth, but for Italy, suicide. Italy, as the seat of mediæval theocracy, had for centuries possessed special privileges, not the least of which was the endless inflow of precious metal from her tributaries. Nowhere had the anarchy and demilitarization of the Middle Ages been more impressive, more splendid, more irremediable.

Italy was an agglomeration of minute states, the greatest and strongest of which was Venice. The others tried in vain to crystallize, without legitimacy, without tradition, without leaders and without stable laws. There were no real military forces, save for an occasional band of mercenaries. Pleasures, riches, luxuries and artistic splendors were the immediate concern of high and low. On all sides wars and revolutions raged, doing little damage in their savage efforts to snatch from Rome the treasures pouring in from her all-embracing domain. The heaven of beautiful arts and light domestic literature, the hell of free thought and independent spirit — such was the Italy of the Middle Ages, soon to be destroyed. As long as the Papacy protected her and lavished gifts upon her, this splendid anarchy could continue without exhausting its substance. But what would become of her when Europe rebelled against Papal theocracy?

V. MACHIAVELLI'S VISION

Machiavelli saw that Italy would be dragged down by the collapse of theocracy if she did not free herself in time. He wished her to escape: his one thought was to rescue her at any price. Machiavelli did not hesitate to denounce the Papacy as a great national danger, as the primary cause of Italy's political and military weakness. With an audacity unheard of in his day he attacked Christianity as the religion of slaves, as a drain on the people's strength. Italy had dominated Europe until then without arms; Machiavelli informed her that she must now arm to defend herself. He, a civilian, wrote the first great book on modern warfare. But an army is only the sword of a state; it

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serves only that government which can wield it. Machiavelli wished to put an end to the congeries of small Italian states, capable only of revolts, of building palaces, of encouraging artists and giving feasts. He did not, as has often been claimed, demand the unity of Italy. What he asked was the creation of one powerful state in Italy, founded on wise and just laws and capable of defending itself. Whether it were republic or monarchy made no difference. He wished to reform republics, and so wrote his "Decades on Titus Livius." He wished to restore monarchies, and wrote "The Prince." To one and the other he offered his wisdom.

At the beginning of the sixteenth century Machiavelli was already seeking the formula for the perfect state — a search which by the end of the eighteenth became the obsession of the Occidental world. And therein lay his glory. He achieved at one bound an almost perfect conception of the modern state, a state in which man's passion and reason will be united to attain two ends — power and justice — ends which clash at every moment but whose union would be perfection long dreamed of. All of Machiavelli's contradictions grow out of this dualism of power and justice, which was at once the essence of his doctrine and the soul of the modern state, and which in the nineteenth century was to lead scholars into a zealous, though often uncomprehending, study of his works. Nor was he content to seek in Latin sources a formula for reconciling power and justice. He travelled across Europe and studied peoples whom contemporary Italy regarded merely as barbarians to tax.

VI. A PROPHET STRUGGLING FOR HIS DAILY BREAD

He was a seer, then, a great seer. But he was naïve. He saw so far into the future that he could no longer see the present. He was right: Italy would be engulfed in the ruin of mediæval theocracy if she did not free herself. But he was naïve to think that Italy could free herself in a few years merely with the pen of a great writer and the sword of a great prince. Centuries alone can destroy what centuries have created. A gifted prophet who lavishes upon his contemporaries advice that is absurd and impossible because it is too profoundly true is a pathetic person.

But the case of Machiavelli is still more complicated. He had to earn his daily bread. He came from a middle-class family which owned property but could not live on the income from it

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and had to eke out a living in business and the liberal professions. There were many such families in Florence. In 1498, at the age of 29, "Messer Niccolò," as he was then called, was appointed second chancellor. A few weeks later he became secretary of the *Dieci di libertà e pace*, a minor office though one requiring a certain amount of culture and intelligence. Picture this modest official, with his sweeping vision of the future, toiling in a small office at the Palazzo della Signoria! He saw Italy foundering and wished to save her. He thought he knew how; but he had to serve a tiny republic and the inferior people who governed it. He dared not offer even the humblest advice; he merely carried out orders from above. This disproportion between his talents and his duties kept him in a permanent state of fury.

He was even more unhappy in 1513 when he wrote "The Prince." The Medicis, having overthrown the Republic with Spain's assistance, had returned to Florence. Machiavelli had been discharged, imprisoned, and finally relegated under the surveillance of the police to his small property, known as Albergaccio, near San Casciano in Val di Pesa. There he dwelt during 1513, subjected to the petty persecutions of usurpers whose cruelty was heightened by fear and stupidity. And he had four children whom he could not nourish on the meagre income from Albergaccio. "The Prince" was written solely to obtain from the new masters a position which would pay him a few hundred florins.

VII. A CRY OF ANGUISH

"The Prince" was the supreme humiliation of a chained Titan, a mendicant prophet. We feel throughout its tormented pages the anguish of a frightful mortification. There is a time in the life of every man when, in his struggle with his fellow beings, he becomes impatient and cries out that all men are beasts and must be treated as beasts. But most men confine themselves to thought or speech. Machiavelli relieved his feelings in a book.

Why, then, has Machiavelli come to be known as the originator of a complete doctrine merely because of a few detached phrases which were only desperate cries of misery? Why was he at first despised as a diabolical writer and then worshipped as one of the guiding spirits of mankind — all because of a "doctrine" which was never his? Why, down through the eighteenth century, did theologians and moralists not dare to pronounce his name, merely referring to him vaguely as *ille qui dixit?* And why in the nine-

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teenth century was he hailed as the shining light of humanity and buried at Santa Croce with the inscription on his tomb, *tanto nomini nullum par elogium?*

In Catholic countries, and above all in Italy, Machiavelli was from the sixteenth to the eighteenth centuries a victim of the Church's hatred. The Church forgave him neither his views on Christianity, which he called the religion of slaves, nor his criticism of the Papacy, which he had accused of being the primary cause of Italy's political and military weakness. His books were put on the Index and his memory was persecuted. And in order to malign him more thoroughly his critics exaggerated the importance of those fragments of his thoughts whereby he had sought to lighten his misery. Theologians and moralists twisted these outbursts into a diabolical dogma invented by a perverse spirit to corrupt mankind. During the seventeenth and eighteenth centuries the zeal of these detractors was fired by an obsession common to both the Reformation and Counter-Reformation, to both Protestant and Catholic theologians: the moralization of politics by the fixing of moral limits which must be observed by the powers-that-be, whether they be emperors, kings, princes or aristocratic republics.

This moralization of politics was one of the most noble and fruitful preoccupations of western thought during the two centuries preceding the French Revolution. In this respect Catholic and Protestant theologians deserve well of humanity. But Machiavelli was the victim of their zeal. His books were read because they were the work of a superior mind; yet his three capricious remarks directed against morality in politics were too easy a target for the moralists and theologians to resist. Hence Machiavelli became the champion of political immorality.

This drawback was turned to advantage in the nineteenth century, following the great spiritual upheaval of the French Revolution. That century was characterized, in Europe as in America, by a general and rapid secularization of politics, administration, intellectual and social life, and morals. As the nineteenth century advanced, the influence on thought and customs exercised by the established churches and by religion in general waned more and more; as a result, all the writers, thinkers and artists whom the churches had endeavored to discredit came to be admired, glorified and proclaimed as champions of humanity. Machiavelli benefited by this sudden change.

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Because Machiavelli was a great spirit and did not deserve ignominy, the nineteenth century performed an act of justice in rehabilitating him. But it went too far. Instead of demonstrating that he was not the creator of the Machiavellism which the moralists and theologians had denounced, instead of praising him for his work as a whole — which had no relation to the false Machiavellism wished on him by his slanderers — the men of the nineteenth century continued to attribute that doctrine to him. But instead of cursing it as evil, they hailed it as a beacon light for mankind. Instead of destroying the legend, they revived it.

Machiavelli was a great spirit, but he was wrong when, exasperated by his humiliations, he advised new dynasties to destroy their predecessors, when he vindicated Cæsar Borgia, an assassin, and when he brutally declared that a prince need not respect a treaty if it does not suit his interests. In these fleeting moments of darkness he forgot one of life's great truths — that nothing is more disastrous than to proclaim that a moral law is useless because it is easily violated. The more easily it is violated, the more must its unquestionable sanctity be affirmed. In every era there are husbands and wives who are unfaithful. That is no reason to proclaim by law that each member of a family is free to do as he pleases. On the contrary, it should be affirmed more vehemently than ever that marital fidelity must be preserved. In each epoch treaties are violated, but that is no reason for openly admitting that treaties are scraps of paper. The world will become a frightful chaos when it officially admits that treaties can be broken at will.

The Catholic and Protestant theologians of the seventeenth and eighteenth centuries went beyond the bounds of human possibilities in their desire to moralize everything — art, literature, politics, social life. In their zeal, they advised the employment of means which we can no longer condone. But their doctrine was basically sound. Morality is neither art nor politics nor everyday life. Morality is a body of principles and rules which must be applied in every realm of human activity: in family life as in business, in art as in politics. Moral laws determine the exact limits which the private citizen and the public official, the artist and the merchant, cannot exceed if he wishes his deeds to benefit both himself and others; if he wishes to contribute to the order of the world rather than its destruction.

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HAS GOLD A FUTURE?

By Frank D. Graham
and Charles R. Whittlesey

IN 1923 certain British economists, in characteristic half-serious half-humorous vein, proposed that, in the process of paying reparations and inter-allied debts, Europe should first send her monetary gold to the United States and then turn her back on the gold standard once and for all, leaving this country, quite literally, holding the bag. In the relatively tranquil period that followed, this suggestion, even as an economist's whimsy, fell into the limbo of forgotten things. Today, however, it is becoming altogether too real. The United States is, in consequence, confronted with a gold problem which almost defies solution.

In 1923 the total visible monetary gold stocks of the world amounted to eight and a half billion dollars, of which we possessed something less than four billion, or 45 percent. At the present time American holdings are approaching fifteen billion dollars — approximately 60 percent of the world's visible stock of monetary gold. It is true that the present dollars are lighter in gold content than the dollars of fifteen years ago; but they represent more, not less, of goods, services and days' labor. In the past fifteen years we have sunk in increments to our gold supply a much greater value of goods, services, and whatever else nations give up in acquiring gold, than the equivalent of the stocks of monetary gold of all foreign countries a decade and a half ago.

We should certainly have been better off if the British economists' little joke had been realized before it grew stale and then grim. If, in 1923, our debtors on war account had sent us their gold supplies in part payment of their debt, we should, in effect, have obtained the gold for nothing,[1] rather than at the heavy cost at which it has in fact been acquired.

In 1923, of course, we were all concerned about the restoration

[1] Nothing, *i.e.* in excess of what we had already transferred to our debtors during the war. On the principal of our war loans we have not been able to make any net collections and, presumably, never will. Even such interest as was paid on these debts was more or less directly dependent upon the receipt, by our debtors, of a much larger sum in German reparations which, in a similar more or less direct fashion, we may be held to have financed by loans to private German borrowers. Most of the German "securities" have, like the war debts, been repudiated in whole or in part, so that, instead of getting paid by our debtors we actually contrived to secure large payments *to them* at *our* expense and, on top of all this, paid them anew for the gold we might have had in lieu of debts that have now gone into the discard.

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of the international gold standard. This would probably have been precluded if the United States had then acquired the great bulk of the world's monetary stocks of gold. However, it is open to question whether, even in the sphere of international trade and finance, the restoration did more good than harm. Furthermore, the second breakdown of the standard, with its accompanying phenomena, has not only imposed upon us the burden of buying gold already in existence but has compounded this burden by adding the cost of immense supplies which were still in the mines in 1923 and would doubtless in large part have remained there if the British suggestion had been followed. Such a transfer of ownership would not, perhaps, have given the best possible turn to events but it would certainly have been greatly preferable to what has in fact occurred.

The prospect of reëstablishing once again an international gold standard is steadily receding and, for the first time in history, the world demand for gold is showing distinct signs of satiety. To the United States at least, gold has now become a nuisance of the first magnitude. We are buying, at enormous cost, gold which serves no useful purpose and which we do not want; the stock already in our monetary system provides a constant inducement to serious inflation so that we are paying heavily for what is a positive bane; so long as present policies continue, the evil is certain to grow worse instead of better; and we do nothing about it because we are afraid to face the facts.

Perhaps the most remarkable feature of the whole situation is that our gold policy has met with so little condemnation. Critics of the Government's silver policy have very justly, and vociferously, assailed the practice of accumulating large stocks of silver, but they have remained silent concerning the similar but far greater extravagance of adding to our redundant stocks of gold at a cost which makes the outlays on silver pale into insignificance. There is scarcely an argument against the silver purchases which does not apply with greater force to our acquisitions of gold.

There is, practically speaking, no chance whatever that the existing relationship between the price of gold and the relatively low money cost of producing it can be permanently maintained. In the long run we have the choice between (1) the maintenance of the present price of gold along with marked inflation, and (2) a reduction in the dollar price paid to producers for new supplies of gold. The former would lower the real cost to the buyer of a

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given dollar value of the metal and, by increasing its dollar cost of production, curtail output *gradually;* the latter would lower the real cost to the buyer, and curtail output *immediately*. The longer we refrain from choosing the second alternative the heavier are the entirely futile outlays with which we saddle ourselves and the greater the danger of serious economic and social disturbances.

II

At the beginning of 1929 the world's stocks of monetary gold amounted to about 18,000,000,000 present dollars. At the end of 1938 the total value was not far short of $27,000,000,000 (allowance being made for a certain amount of monetary gold in Occidental private hoards). In other words, in the past ten years the world has added to its monetary gold stocks half as much metal as had been there accumulated in all preceding time. In the same ten years the dollar value of gold stocks held by governments and central banks rose to nearly 250 percent of the 1929 figure. The increase was made up of an increment of approximately 80 percent in additions to the physical stock of gold while 69 percent came from the reduction in the gold content of the dollar. World production of gold, which is steadily increasing, is now running close to $1,300,000,000 annually.

Changes in the distribution of the world's stocks of gold are no less striking than changes in the total. The United States has in recent years been absorbing a good deal more than the total increase in the world's supply. Major shifts in the relative holdings of a few of the more important countries are indicated below:

GOLD RESERVES OF THE CENTRAL BANKS AND GOVERNMENTS OF SELECTED COUNTRIES
(In millions of present gold dollars)

	1913	*1929*	*1933*	*1938 (October 31)*
United States	2,184	6,603	6,793	14,065
Great Britain	279	1,202	1,571	2,690 [2]
France	1,150	2,765	5,117	2,428
Italy	452	462	630	210
Germany	472	921	155	29

[2] Bank of England holdings only. Early in 1939 the Bank of England transferred to the British Exchange Equalization Account $1,650,000,000 of gold so that the Bank of England's holdings are now presumably not much above $1,000,000,000. The figures on British gold reserves ought, of course, to include not only the stocks of the Bank of England but, after 1931, those of the Equalization Account as well. The latter are not currently available. Total British gold holdings when this table was prepared are, however, probably not more than 2,800 million dollars.

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A map of the world indicating the net international movements of gold from 1933 to the present time would show heavy lines running from the principal gold producing countries, especially South Africa, to the great gold market at London, there being joined by other lines from the Orient and Western Europe representing gold released from public and private hoards, and all moving on in heavy volume to the United States. There would be lighter lines running direct to the United States from other countries, especially Japan. At the end of 1933 our gold stocks amounted to 6,793,000,000 present dollars. At the end of 1937 they totalled $12,760,000,000 and one year later had risen to nearly $15,000,000,000. Estimates indicate a gold production, in the five years 1934–38, of about $5,800,000,000. Gold released from Oriental hoards was about $650,000,000, while an undetermined but probably smaller sum came out of private hoards in the Occident. This is to say that, during the five years in question, this country absorbed not only all new production of gold, plus the amounts released by the Orient and private hoarders in Western countries, but also a substantial part of the former monetary reserves of other nations.

As has been intimated, the country from which gold moves to the United States may be simply an intermediary. Since London is the central market for gold it is most important to note the movement and countermovement between Great Britain and the United States. Since 1934 the great influx of gold to this country from Great Britain has, to all intents and purposes, been attended by no countermovement whatsoever. Recurring apprehension as to Europe's political future has set in westward motion tidal waves of gold which, though they may subside temporarily, are soon repeated. In the intervals of comparative calm the gold remains in this country and the result is a persistent accretion to our supplies.

Since we have been purchasing considerably more than the current world output the cost of buying gold may not remain indefinitely as high as it has been in recent years. As public and private stocks of gold find their way to a greater extent to this country new purchases will gradually be limited to the volume of gold currently produced. At the existing level of prices, with its prodigious profits to gold producers, this is not likely to decline below the present output for many years, so that a continuing cost to this country of upwards of a billion and a half dollars a

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year is quite possible. Moreover, we must not forget that there still remain outside this country about twelve billion dollars of monetary gold, and a large but not determinate supply of non-monetary gold, which may find its way to our shores. It might happen that an improvement of conditions abroad, or some international agreement, would lead to the net absorption of a certain amount of gold by foreign countries. In this case a considerable reduction in the new burdens placed on us, and conceivably even an alleviation of the existing burden through an outflow of the metal, might occur. But to admit that such a development is possible is far from saying that it is probable. It assumes that other countries will be economically blessed to a greater extent than seems likely and that they will be dominated more largely by tradition than by reason.

III

A variety of explanations for the unprecedented gold movements of the past five years has been offered. It is frequently asserted, for example, that gold has come to the United States as a result of the devaluation of the dollar. It is to be noted, however, that all other currencies have been devalued at least once since the World War, and, since 1931, the price of gold has been raised in terms of most other currencies by as much as, or more than, it has been raised in terms of dollars. There is nothing, therefore, in the dollar devaluation, as such, which would cause a movement of gold to this rather than to other countries.

Nor are gold flows to be explained on the more sophisticated ground of differences in relative national price levels. If, in comparison with other countries, we were offering more currency for gold than for goods we would tend to get the gold while the other countries got the goods. Such an offer would take the form of a lower commodity price level in the United States than in other countries. For most of the period since the devaluation of the dollar, however, the price level in terms of gold has not been especially low in the United States as compared with that in many other countries. It has, in fact, on a 1929 or any other base, been nearer the top than the bottom of the scale of comparative national price structures. It follows that the price situation arising from the dollar devaluation cannot, any more than the devaluation itself, be accepted as the reason for the flow of gold to this country.

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This conclusion is confirmed by an analysis of our foreign trading situation. From the date of devaluation of the dollar in 1933 until the business slump in this country in 1937 — for which international prices, in all probability, were in no way responsible — the ratio of our merchandise imports to our merchandise exports was steadily rising. In addition to confirming the conclusion that the price level in this country has not been unduly low, as compared with price levels abroad, this indicates that, up to a year ago at any rate, the inflow of gold was not in fact caused by excessive exports of American goods.

In the same period, our net annual debit on service items has been rising and our net annual credit on interest and dividends falling. Both phenomena would tend to drive gold abroad rather than attract it. They reinforce the influence of the rising ratio of merchandise imports to exports. The argument that the devaluation of the dollar has been an important factor in diverting gold to the United States is therefore quite without foundation.

IV

We may turn now to what appears to be the true explanation of the heavy flow of gold.

Since the War it has been customary to regard the United States as a great lending nation. It will be a shock to many to discover the degree to which we have been reversing our position in this respect. Instead of being a lender nation on *current* international account, as had been the situation from 1914 on, we have, in recent years, been a net borrower of billions: $360,000,000 in 1934; $1,536,000,000 in 1935; $1,169,000,000 in 1936; $1,187,000,000 in 1937; almost certainly not less, and perhaps much more, than a billion in 1938. All of this indebtedness has, in a very real if not literal sense, been incurred in the purchase of gold on which we laid out, net, $1,134,000,000 in 1934; $1,739,000,000 in 1935; $1,117,000,000 in 1936; $1,586,000,000 in 1937; and $1,974,000,000 in 1938.[3]

There is, in short, a close connection between our imports of gold and the recent increase in our borrowing abroad. But, as will be seen, the connection is wholly anomalous; it is completely the reverse of what would ordinarily be expected. In former times

[3] The assumption of new liabilities fails to cover the entire cost of our gold purchases. The difference has been made up by the encashment of foreign obligations to this country and by the use of American claims on foreign currencies accruing from interest, dividends, and a current excess of commodity and service exports over imports.

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net gold imports to any country were normally the consequence of, and equal to, a current credit balance on other items in the international account. Gold did, it is true, sometimes move into a country as a result of a current credit balance established by borrowing abroad, but the decision to borrow almost always preceded the acquisition of gold and the initiative lay with the borrower. The acquisition of gold was incidental, was preliminary to the import of capital in the form of goods, and was not expected to be permanent. Only in times of crisis was borrowing undertaken for the purpose of financing a gold import for its own sake.

At the present time, however, our gold imports are the consequence neither of a credit balance on merchandise and service items, nor of a current credit balance on financial account acquired by prior borrowing by this country abroad; on the contrary, they are themselves the cause of our indebtedness. The volume of gold movements has not been determined by the amount of our borrowing. Rather, the amount of our borrowing — which is largely involuntary — has been determined by the volume of gold movements. That is, since gold is being sent here not to extinguish American claims on the outside world, but to establish foreign claims against this country, we are, without any intent on our part to assume the rôle, being forced into a debtor position on current international account. The initiative has passed from our hands. We are importing gold not on our own volition but in accordance with the will of foreign sellers.

Rates of exchange have no longer any decisive influence on gold movements even though gold movements still have a marked influence on rates of exchange. The significant point is that discretion as to whether gold will be imported or exported, not only in their own country but here also, rests entirely with foreign monetary authorities who can also dominate exchange rates when they so elect. So long as they possess, will take, or will export, gold, they can put exchange rates practically where they want them; even without gold, they could do this in some degree through the purchase and sale of dollar claims provided we remained ready to buy and sell gold at a fixed price in dollars. On the other hand, if they are indifferent to the exchange value of their currency, they can export, retain or acquire gold by the simple expedient of changing their daily buying price for the metal in correspondence with current movements in rates of exchange.

The wishes of foreign monetary authorities with respect to

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exchange rates have not been revealed, but gold is, in any event, coming here solely because foreigners prefer dollars to their own currencies or gold.

V

The motive that inspires the extraordinary export of gold from foreign countries to the United States is, to a considerable extent, fear. But this by itself is not enough. If price level adjustments, such as the gold standard used to provide, had followed the flow of gold, or if gold did not command a fixed price in dollars, the incentive to transfers would be quickly reduced. The fact that we maintain a fixed price for gold, while failing to have the increase in gold exert its former expansive effect on the volume of circulating medium, prevents the operation of equilibrating adjustments.

A movement of funds such as that under discussion is not, on the face of it, inconsistent with the traditional international functioning of gold. It is conceivable that it might have arisen under an international gold standard but it is not conceivable that it could have lasted for long. Certain corrective adjustments in the countries losing or gaining gold would automatically have stopped an excessive flow in one direction. The mechanism of this self-adjusting system was relatively simple. So long as currencies were attached, by means of certain legal or conventional reserve requirements, to the volume of gold within the gold standard countries, a change in the international distribution of gold was closely associated with changes in the relative volume of money in the different countries. This resulted in such a shift in relative national price levels, and in the international movement of goods, as to bring about a more even balance in the international accounts and to render further shipments of gold unlikely. Whenever, for any reason, gold movements in one direction were excessive, the same process of adjustment would in due course lead to a return flow. The quantity of gold held by each country was thus automatically adjusted to the trading requirements of the several countries; there was no question of any one country absorbing an undue share of the world's stocks; and new supplies of gold were distributed in approximate proportion to existing holdings.

Under the ordinary operation of the international gold standard any extraordinary preference for dollars would have been

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subject to steady diminution when, as a sequel to the movements of gold, prices in the outside world fell relatively to dollar prices. Dollars would then have been in steady process of becoming less valuable in domestic purchasing power relative to the domestic purchasing power of the alternative currencies obtainable with a like amount of gold, so that the trading, investment, speculative or refugee demand for dollars, as against these other currencies, would have rapidly waned. Gold would then have ceased to come to this country.

At the present time the fundamental bases of this automatic mechanism no longer exist. Only in the United States, and possibly Belgium, does even the outward form of the system remain. Since gold is elsewhere completely divorced from any direct connection with the pricing mechanism, it has ceased to be a regulator of international economic relations. When gold moves today, it may leave unchanged — may even aggravate — the fundamental causes of the movement. These observations lead to the extremely important conclusions that gold flows are now in no way automatically corrective or self-limiting and that imports of gold to countries willing to buy it in unlimited amounts may therefore continue indefinitely.

Under existing conditions the immediate effect of gold imports into the United States is to depress the exchange value of the dollar. So far, and no farther, does the analogy with international gold standard conditions hold. The tendency for prices in the United States to rise on the receipt of gold is now largely nullified, whereas there is no reason whatever to expect these gold movements to depress prices in other countries. This follows from the fact that gold is no longer used in these countries either as money or as a regulator of the money supply; exports of gold, therefore, have no more influence on prices than exports of any other commodity.[4]

A decline in the exchange value of the dollar attendant upon gold imports has now a tendency to raise the ratio of American exports to imports of goods and services. This is because the shift in exchange rates makes it easier for foreigners to buy in this

[4] If prices in the United States should rise under the impact of gold imports from other countries, it is more probable than not that they would not fall, but rise, in at least equal measure, in foreign countries. In England, for example, a loss of gold probably induces a slight immediate, if not necessarily permanent, tendency toward inflation. Space does not permit a discussion of the reasons for this paradoxical tendency, but it should be noted that the ever present possibility that prices may rise in any foreign country not only in equal, but in indefinitely greater, degree than in the United States, is a strong reason for the shift, via gold, from these currencies to dollars.

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country and harder for Americans to buy abroad. Such an outcome is just the converse of the situation under an international gold standard where imports of gold were normally attended by price movements provocative of a fall in the ratio of commodity exports to imports in the country receiving gold. There is now not only no automatic tendency toward the checking of a flow of gold but a strong impetus to its acceleration. The provisional conclusion must be that in the absence of intervention there is no reason to suppose that our gold imports will decline until we have exhausted the world's stocks and are taking all of the then current output of the metal.

Even if the fear-motivated flight from other currencies to the dollar should cease, the statement just made would hold true in the long run. The flight is, indeed, responsible for an undetermined, but certainly sizable, proportion of our recent gold imports. It has been supporting, and even enhancing, the exchange value of the dollar against the tendency of the imports of gold to depress it. If the flight were checked, the presumptive effect would be a drop in the exchange value of the dollar. We should then, in consequence, probably pay for continued imports of gold by an increase in the ratio of commodity exports to commodity imports rather than by the sale of securities or the purveyance to foreigners of what are substantially demand claims to dollars.

VI

"Hot" or refugee money has played so important a rôle in gold movements that a further word should be said about it. The immediate effect of flight from a currency is to increase the exchange value of the currencies in the countries of refuge. This prompts the sending of gold from the refugee country to prevent an abrupt rise in the price of foreign currencies. Resort to sterling as a refuge has so far been in greater volume than the British retention of gold. That is to say, the British monetary authorities have not kept a gold reserve equal to the demand claims of foreigners on balances arising from shipments of gold to London. London is therefore in a precarious position. Whenever fear develops, the "City" is likely to be subjected to the international analogue of a run on a commercial bank. Sterling, however, partly as cause and partly as consequence of the export rather than retention of gold by the British, has tended to rule relatively high on the exchanges. The British ratio of commodity imports to exports has,

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in consequence, shown a rising tendency and this, in turn, has stimulated exports of gold. If, as seems likely, refuge in the future is sought more in this country than in England the only alternative to a sharp fall in the dollar exchange value of sterling and associated currencies will be further shipments to this country of the gold now held by the British and other foreign monetary authorities. This would continue until a reversal of the trend in the balance of British and similarly affected trade was accomplished, and it is by no means impossible that British reserves of gold and foreign exchange would be exhausted in the process.

If the United States had not offered an unlimited market for gold at a fixed dollar price, the volume of "hot" money seeking refuge here could scarcely have attained its present proportions and flights to sterling would also have been curtailed. Any attempted flight to dollars would then have raised the price of dollar exchange in the refugee currencies to levels which would have made the process so costly as to put an effective damper upon it. If the United States, moreover, had not offered the British the prospect of the indefinite continuance of a favorable market for gold, the flight to sterling would have encountered similar difficulties since the British would then have been reluctant to acquire as large gold supplies as they have in fact absorbed. Furthermore, such flights as occurred would, in these circumstances, have been a mere swapping of currencies, with the sellers of dollars or sterling acquiring claims on foreign currencies coincidently with the transfer of claims on dollars or pounds to the buyers. Movements of exchange rates great enough to inhibit flights from currencies might, however, be a seriously disequilibrating factor in international trade.

With the shipping of gold to this country the foreign shipper acquires indefeasible claims on dollars since we undertake to pay $35 for every ounce of gold offered; we, on the other hand, do not acquire even a potential claim on foreign currencies since foreign monetary authorities can always refrain from purchasing any gold we might later offer them. Foreigners fleeing from their own currency under the influence of fear would, in the absence of gold movements, be obliged to sell us their currency so cheaply that the terms of trade would turn strongly in our favor. The flight of hot money would then entail a penalty for the individuals and countries sending funds abroad and a gain for the country to which it was sent. But when foreigners send us gold this does not

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happen. They are then not selling us their own currency cheaply, or at all, but are buying at fixed rates one form of American currency with another form which used to be, but is no longer, part of their own currency supply, and which will reënter it, if ever, only as they themselves may determine.

Since refugee gold, so far as it comes out of the monetary use, is currently supplanted by some form of debt money in the country from which the flight occurs, the reimport of the metal would presumably be superfluous, inflationary and expensive. Under such circumstances reimports of gold are not likely to be sought for long with any enthusiasm. "Repatriation of capital" will take the form of outpayments of the foreign currency, by the central banks of the countries concerned, in exchange for dollar credits held by their nationals. Refugee gold, like all the rest that has found its way to the American Midas, is therefore not likely to move away even temporarily from our borders.

Such intervention as would reduce our imports of gold, and perhaps check the flow entirely, need not occur on this side of the water. A drop in the exchange value of the dollar is identical with a rise in the exchange value of other currencies, and the ensuing presumptive increase in the ratio of American commodity and service exports to the corresponding imports is identical with a decline in the similar ratio for foreign countries taken as a whole. To a world still mercantilistic, even if it has lost its hankering for gold, this may not be very palatable, and foreign countries may purchase and hold gold with the deliberate intent of increasing the exchange value of the dollar, diminishing the pressure of competition from American commodity exports, and keeping the way open for their own. This may well be the principal basis on which such gold as is not coming to the United States is now being held or purchased abroad and it is probably our best chance of future relief from continuous dumping of the metal. Under existing conditions, the possibility of reducing our imports of gold therefore turns on the outside world being as mercantilistic in pushing commodity exports as we ourselves seem to be in engrossing gold.

Some countries, however, are beginning to value commodity imports more highly than exports and to look upon exports solely as the means of providing themselves with the desired imports. This sensible attitude is making rapid headway under the course of preparation for war. To such countries the purchase of gold

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looks like a very poor substitute for direct imports of the materials of war and they are likely to send what gold they have to us in order to enlarge their purchases of those materials. The tendency in this direction is reinforced by the fact that, where gold is no longer turned into currency, it is almost wholly superfluous, while its purchase by the government involves a direct and uncompensated charge on the budget. Under this strain many foreign countries are much more likely to move in the direction of reducing than of increasing their supplies of gold. They may therefore show an increasing indifference to a rise in the exchange value of their currencies and may even welcome it as facilitating the imports which they covet.

If this occurs we can, of course, expect from them no intervention to stem the flow of gold, and the existing trend toward the complete absorption by this country of the world's stocks, as well as the new supply from the mines, will be greatly strengthened. Under present legislation there is nothing that we could do about it. Gold would come here whether the exchange value of the dollar should rise, fall, or remain unchanged, since the foreign currency price offered for the metal would be correspondingly set at a figure low enough to prevent any diversion of the gold from this to other markets.

VII

Under the practice of maintaining a fixed dollar price for gold, we can neither refuse to buy the metal nor refrain from selling it freely for purposes of export. This may not inevitably mean that we have no means for influencing exchange rates, since that can be done through the purchase or sale of foreign currencies by our monetary authorities.[5] It does mean, however, that we are powerless to affect gold movements. Any control we might otherwise have over exchange rates is thereby rendered all but completely nugatory.[6] For, if our monetary authorities desire to raise the exchange value of the dollar, and therefore sell foreign currencies, foreign monetary authorities can nullify our action by buying the currencies we are selling with the dollar proceeds of gold re-

[5] The unconditional purchase of weak currencies, is, however, a dangerous expedient inasmuch as a possible devaluation may involve the purchaser in heavy losses. Such losses would already have been realized if francs had been unconditionally purchased, over the past year or two, by non-French monetary authorities or anyone else.

[6] The Tripartite agreement on exchange stabilization may be of service to us in this connection but only if the other parties to that agreement are under obligation to buy gold when dollar exchange tends to fall. It is not likely that there is any hard and fast obligation of this sort.

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mittances to us. If, on the other hand, our monetary authorities desire to depress the exchange value of the dollar, and therefore buy foreign currencies, the foreign authorities can nullify this action by directly supplying us in indefinite volume with their respective currencies (which they can print at will) or by taking in gold.

In a sense, then, our present plight is a consequence of the general abandonment of the gold standard; but our weakness is attributable not to the abandonment itself but to our resumption of that standard while other countries were leaving it or, if already off, were remaining "unregenerate." We should be at no relative disadvantage if the rest of the world were on gold, but we should similarly be at no disadvantage if we had stayed off gold instead of returning to it. The trouble arises from the fact that we are on gold and the rest of the world is not, and that we have a standing offer to buy gold in unlimited amounts, at a high fixed price in dollars, while the monetary authorities in other countries can take it or leave it at their discretion.

It is somewhat ironical that the "friends" of the gold standard, repeating the history of silver, are proving to be the greatest enemies of the standard they favor. It is they who are largely responsible for an untenable position from which, so long as foreign countries refuse to alter a status in which they are at a marked advantage, we can perhaps best extricate ourselves by the definitive demonetization of gold. Once off the gold standard in 1933 we could easily have avoided the emergence of our present difficulties. But conservative bankers and business men protested that failure to tie the dollar to gold was dangerous, and that we must return, orthodoxly and at once, to the traditional standard. (The new gold content of the dollar was, they alleged, a matter of secondary import and they were content to have the dollar stabilized at its then current gold value.) Partly in bafflement and partly in weakness, the Administration at Washington capitulated. Some of the monetary policies then in vogue were unquestionably ill-conceived, but the establishment of a new fixed price for gold was surely a mistake, even though it was hailed by bankers and business men with an enthusiasm which they have accorded to very few acts of the present administration. Whether we should or should not have devalued the dollar is perhaps an open question; but once having broken the link between our currency and gold, we should certainly have been in no hurry to go back

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alone. If we had not done so we could readily have lowered the dollar price offered for gold when, as now, the occasion required it. As matters stand, however, such an action, for reasons presently to be adduced, could be taken only with great misgiving.

When foreign countries, exercising their present privilege, refrain from taking gold it must come here because there is nowhere else for it to go.[7] Individual hoarders abroad may, of course, absorb a certain amount of the metal. It is more to the point, however, to turn the gold into dollars since the value of gold abroad will not go above its present value in dollars unless we perpetrate either or both of the almost incredible follies of further increasing the price of gold or of refusing the right to export the metal. Either procedure would magnify our present difficulties. The belief is professed in some quarters that raising the dollar price of gold would depress the exchange value of the dollar and improve the position of our commodity exporters. This belief is almost wholly illusory and derives from the period when a number of foreign countries were on gold. Raising the dollar price of gold would probably have no effect whatever upon dollar exchange rates against currencies which are in no way tied to gold, except for some slight depression of the dollar attendant upon the increased imports of gold which such a step might occasion. If it were thought, however, that the step would be repeated, the exchange value of the dollar might actually rise by reason of the withholding of gold abroad in the hope of getting a higher dollar price later on. Any movement in exchange rates which might occur would no doubt be followed by a corresponding alteration in the foreign currency price offered for gold, modified slightly according as foreign private persons, or monetary authorities, wished to enter on one side of the market or the other.

If the real value (purchasing power) of dollars should fall through inflation, the real value of gold, which is tied to the dollar, would fall in precisely the same degree. Except, therefore, on the very improbable conditions stated above, gold can be no better than dollars. But, because gold would immediately fall in dollar value if we should adopt the logical course of ceasing to buy the metal freely, gold may prove very much worse than dollars. Dollars, moreover, can be invested in short-term

[7] Some relatively small amounts might be sent to Belgium if, as is unlikely, the sellers of gold should prefer belgas to dollars.

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securities yielding some interest — which cannot be done by holding of gold. No shrewd speculator is therefore likely to purchase gold rather than dollars, unless he has wind that we are about to commit one of the stated follies. He will turn such gold as he has into dollar claims.

It would be surprising if monetary authorities abroad should fail to be impressed, eventually, by the considerations which must affect intelligent private hoarders. Gold is for those authorities almost solely a means of acquiring dollars. Since dollars can now and apparently always will be able to do practically anything that gold can do, and possess unique advantages besides, there seems to be no reason whatever why foreign monetary authorities should hold on to the metal. This not only involves storage cost, and deprives them of such interest as they might earn by holding dollar credits, but it exposes them to a by no means negligible danger of loss through invasion of their territory. The holding of direct claims to dollars permits them to escape this danger.

Only one remote possibility not yet mentioned would give reason to a preference for holding gold rather than dollars. If, as a result of war or otherwise, we should repudiate foreign claims to dollars, the holders of such claims would perhaps have done better to have gone in for stores of gold; though what they would do with it under those circumstances is worth pondering. It should be borne in mind that in the World War Sweden refused to accept gold in payment for her exports though she eagerly took dollars. This precedent seems likely to be widely copied in any major future war.

Since all but the most far-fetched considerations tell in favor of foreigners divesting themselves of their stocks of gold in favor of direct claims to dollars, the hitherto tentative conclusion that, unless we change our policy, we can expect to gather to ourselves practically all the monetary gold in the world, is strongly buttressed. We are already well on the way toward this result and, though we may expect temporary interruptions of the flow and occasional reversals, it seems highly probable that the long-run trend in the present direction will continue. The monetary authorities in countries which still have large holdings of gold will perhaps, for some time yet, fail to recognize that the king is naked and will continue to do obeisance to him under the illusion that he is clothed in royal raiment. But the light will eventually break

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even in these dusty corners. Even now, fealty shows signs of wavering. Central banks in a number of the lesser countries have, as the occasion seemed to warrant, shifted part of their assets from gold to dollars or sterling; and the British monetary authorities, in turn, do not seem to have been averse to holding dollars.

The fact is that, having ceased to employ gold as money, the public and private holders of gold outside the United States have no use for the metal. It is true that the foreign world has not so far acted in the matter with rigorous logic. Under the influence of tradition, and of the assumption that gold might again be restored to its former sovereignty, foreign holders have not, as a group, consciously sought to rid themselves of it. In some cases they have added to their stocks and, in others, have seen them diminish with regret. As time goes on, however, and they discover that they are not hampered by the loss of gold, especially when it is replaced by claims to dollars, this attitude will almost certainly change so that the transfer to this country of most of the remaining stocks is likely to be accelerated rather than retarded. The present value of gold is purely factitious: it is solely dependent upon the policy of this country and the extremely faint possibility that some other country would, or could, support the price of gold if we should abandon the attempt to do so. So long as we provide an unlimited market at a favorable price, foreign countries would be foolish not to take full and early advantage of the situation.

Even as a war resource, and on the unreliable assumption that we shall not change our policy, it is hard to see how gold can offer any net advantages over claims to dollars. In time of war, those suppliers of materials who would be unwilling to accept in trade the goods, currency or credit of buyer belligerents, would probably take claims to dollars as readily as gold. The only conceivable exception is that involving two countries both of which in a future war were enemies of the United States and at the same time were suspicious of each other.

VIII

What now remains of the functions of gold and what is now its international rôle? Of the traditional functions not a single one remains intact. Gold is no longer employed, either as coin or as bullion, to redeem paper currency; its function as a regulator of

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the money supply has either fallen into complete desuetude or is retained as a fifth wheel; [8] and the sole remaining attribute of monetary gold, that of serving to "adjust" international payments, has been perverted and is now in process of atrophy.

To make the last point clearer it will be well briefly to recapitulate. Gold does, it is true, move between countries, but the movement is almost wholly in one direction. Far from serving to settle international obligations, the flow of gold is now chiefly instrumental in creating them. Nowhere in the world are imports and exports of gold the means of regulating the currency supply. Instead of serving as a stabilizing influence, gold movements are the agency for disturbing flights of capital. Apart from the positively harmful or potentially dangerous aspects of the rôle now played by gold in international economic life, its chief function is to improve the international position of producers and disbursers of the metal. The total volume of goods, days' labor and the like now annually devoted to paying for new gold (for which the world has no economic need) is more than twice what it was ten years ago when there was a genuine need for the metal. This is of substantial benefit to producers of gold, but by the same token it represents a corresponding burden to the final purchasers. The same is true as between the disbursers and the buyers of the gold accumulation of the ages. The most significant monetary purpose that gold still serves is probably its use as the basic element in exchange stabilization funds. In this capacity it is one of the instruments whereby monetary control is exercised, rather than, as formerly, the controlling device itself, and for all countries but our own this function can be better performed by the possession of reserves of dollar exchange.

IX

Adequate discussion of different alternatives for meeting the dilemma that faces us is impossible in the space that remains. We must be content with a few general observations and shall have to forgo full explanation of why they appear to be justified.

Restoration of an international gold standard system appears

[8] As has been noted, in most countries gold is frankly divorced from the monetary system. In the United States the two have been separated but are now somewhat uncertainly reunited. Even in this country, however, gold exercises over the money supply only a very remote control and is wholly superfluous for that purpose. The cost of separation — or "sterilization" — coupled with our determination to maintain gold, was so great a burden on the treasury that it had to be abandoned.

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to be very improbable. Sentiment in favor of such a step is not strong abroad, nor are conditions propitious for international loans of the magnitude that would be required if such a system were to be set up. Even more conclusive is the fact that the causes that brought about the second collapse of the international gold standard, beginning in 1931, are still present in aggravated form. These influences were sufficient to destroy the gold standard at a time when its prestige was high; it is most unlikely therefore that the standard, whose prestige has been impaired by the events of recent years, could survive even if it were reinstated by some great *coup*.

Continuance of the present policy, whereby the United States undertakes single-handed to maintain a fixed price for gold, is likely to entail upon us a burden more or less equal to the cost it has imposed during recent years. In short, the cost to this country may be expected to amount to something like a billion and a half dollars a year; and there is no foreseeable cessation of the flow through limitation of the current output of the metal.

If we disregard the escape by way of inflation, which is open to all the familiar objections, the obvious solution is to abandon the present fixed price for gold and permit it to find its economic level. This would automatically provide relief from the burden that excessive gold production now imposes upon us. Changing the price of gold would have no great or necessary long-run effects upon important exchange rates, on prices, or, with exception of adjustments to the new dollar value of our gold purchases, on the course of trade. The long-run economic consequences of this step would therefore be far less serious than those of the maintenance of present policies even if, under these policies, inflation is avoided. The short-run effects on countries which are important producers of gold might, however, be devastating and there is a strong probability that there would be extremely disturbing repercussions on our own economy including, as one incident, the rushing of gold to this country to prevent further anticipated loss on a falling market.

The step is open to the very practical objection, moreover, that it would constitute an admission of error on the part of the Administration. Indeed, it would look bad even on the record of any future administration. Every drop of a dollar in the price of an ounce of gold would mean a loss of about $430,000,000 in the nominal market value of the gold stock we now possess. If the

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price of gold were allowed to seek its "natural" level, there can be little doubt that it would fall far. Even if the price should fall only to the old mint par of $20.67 per ounce — and there is good reason to believe that it would go beyond this — the book loss would be about six billion dollars or well over twice the book profit obtained at the time of devaluation in 1933–34. This would, it is true, be only a paper loss and there is, moreover, much to commend such a move. There is little likelihood, however, that it could be put into effect. The prospect of so great a *paper* loss is more forbidding, from a political standpoint, than the annual *real* burden of a billion and a half, or more, that might go on forever.

The substance of the gold problem, then, is this. At present there is a grave disequilibrium between the low cost of producing gold and the high price at which it sells. Existing policies perpetuate this condition and compel the United States to foot the bill. The obvious means of reaching a solution are, for one reason or another, objectionable. A possible compromise is some device that will result in a fall in the price of gold abroad — thus checking production and discouraging the flow of gold to this country — and will at the same time maintain its price within the United States and permit us to preserve the fiction that our gold is worth what it purports to be. Such a two-price system for gold could be created without serious technical difficulty. It would simply call for a sizable import duty on gold. This might be on a sliding scale and accompanied by a corresponding export subsidy to facilitate an efflux of the metal without loss to foreign buyers. The details of such a scheme cannot be elaborated here. It is enough to say that it might be made more effective through an extension of the so-called Tripartite Agreement to include an undertaking by the six participating countries to aim at the absorption, by each, of stipulated percentages of the new supplies of gold coming on the market.

A device of the type here suggested is, of course, a palliative rather than a solution of the problem. Whether it is to be preferred to more drastic measures is a political rather than an economic question.

X

In no way are the views advanced in this paper to be interpreted as an attack upon the gold or any other standard. The

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present monetary outlook is unassuring, whatever standard is employed. However, we may as well face facts. The outstanding facts are these:

1. Barring changes so great as to be all but out of the question, it is improbable that an automatic international gold standard can be restored except as a possible consequence of the abuse of existing or future paper currencies.

2. Subject to the same reservations, it is likely that, if such an international gold standard were restored, it would fall again within a few years.

3. The present relationship between the price of gold and the cost of producing it is not an equilibrium relationship and, if not modified by positive action, seems certain to collapse with effects not pleasant to contemplate.

4. There is nothing in sight to interrupt a continuance of the flow of gold to this country.

5. Granted that present policies are maintained, it is therefore not only possible but probable that the United States will come into possession of virtually the entire world's stock of monetary gold.

6. In this event we shall have incurred the enormous cost of acquiring the gold and may find it impossible to avoid the inflation that the gold threatens.

It behooves us either to bring gold back into familiar use under conditions favorable to its maintenance as money, or to abandon it as a monetary material. Unless we make of the gold standard something more than a rainbow, the pot of gold in which rainbows are said to terminate is likely to turn to ashes in our hands. To continue to buy gold as at present is not likely to keep this from happening; in the end, it may simply mean more ashes. A complete and final surrender of the use of gold as money would, perhaps, be the better course. Under existing conditions the value of our gold, for any purpose, seems little less evanescent than that of its celestial counterpart. The English economists in 1923 were not offering us an important asset, and they knew it.

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HUNGARY IN THE GERMAN ORBIT

By George M. Katona

GERMANY'S annexation of Austria made Hungary a neighbor of the Reich. The Munich settlement has made all the Eastern neighbors of Germany her dependents.

Hungarian history from the Middle Ages consisted of a struggle against German supremacy represented by the Hapsburgs, Emperors first of Germany, then of Austria. Hungary dreaded them as the foes of her independence, yet again and again called on them for help against a more imminent danger, the Turks. In 1867 Hungary attained equal rights with Austria inside the Dual Monarchy, and from then on antagonism toward Germany lessened. Beginning with 1918 it disappeared, for Germany was no longer a neighbor and the small Austrian Republic was no longer a competitor. For assistance against the new foes surrounding her — the Slav states and Rumania — Hungary could appeal only to distant Italy. With the historic events of the year 1938 all that has changed; Hungarian history assumes again the pattern of the previous three centuries.

It was not merely Germany, it was Nazi Germany, which became Hungary's neighbor on March 12, 1938. How does it affect a small state suddenly to find on her borders a great state in which the display of military power and the doctrine of expansion and race consciousness constitute the daily food of the masses? The student of history and sociology may discern four lines of effect. They will be analyzed here as they apply to Hungary, though the author believes that they also apply to other countries like Jugoslavia and even to states not directly contiguous to Germany, such as Rumania and Bulgaria.

The four effects are: (1) a dangerous growth both of Nazi propaganda from Germany and of the indigenous Nazi movement; (2) official endeavors to gain German friendship by acknowledging that the country belongs, politically and economically, in the German orbit; (3) the adoption of various points in the Nazi German program, in order to take the wind out of the sails of German propaganda; and (4) an attempt by the ruling class to oppose the German penetration. By studying these we shall come to understand most of recent Hungarian history.

Hungary felt the first effect of becoming Nazi Germany's neigh-

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bor the first day after the *Anschluss* — a great intensification of Nazi propaganda. All the Central and Eastern European countries contain islands of people of German origin; German propaganda among these started many years ago. With 1937 the Nazi movement began to extend outside these minorities, but, except in Rumania, it nowhere reached the point of becoming dangerous for the ruling parties. In Hungary the various Nazi factions made slow headway at first, in spite of the well-known grievances of large parts of the populace and in spite of the obvious appeal of anti-Semitism. Even the emergence of a "Fuehrer," the former Major Ferenc Szalasi, did not change the situation. Szalasi in 1937 succeeded in outdistancing his Nazi competitors. But only after the *Anschluss* did his headquarters become crowded with throngs hurrying to pay the few cents necessary to procure a Nazi membership card with a low number — a sort of insurance policy against the eventuality of a Nazi *Putsch.* Szalasi's party suddenly found itself very rich and began showing off with its offices, its automobiles and the uniforms of its young unemployed members. Whether the money came from Germany or from certain naïve Hungarian landowners, it was used to organize cells and district offices in every town and village, to paint arrow-crosses (a variation on the Swastika devised to satisfy Hungarian nationalist sentiment) on houses, highways and park benches, and to send out groups to molest Jews in dark corners.

Who form the bulk of Hungarian Nazis? The industrial workers in Budapest and the other cities joined Szalasi in only small numbers. Still less did support come from the landless agricultural laborers who toil on the big estates and form the country's greatest unsolved problem. As in Germany before Hitler came to power, Nazism in Hungary is primarily a movement of the "petit bourgeois." By last year the common impression in Hungary was that practically every government employee with a monthly salary of less than 200 pengoes ($40 at present exchange) and under the age of 40 had become a Nazi. And the total of low-salaried employees of the national government and of the various city administrations is enormous because of government penetration into business. In publicly-owned railroads, street cars and bus companies, public utilities, tobacco factories and iron works, in post offices, the army, police, and in innumerable government offices, the great majority of the employees earn less than 200 pengoes a month (living expenses in Hungary are low, but 200

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pengoes are nevertheless not much for a family). These consider themselves members of the intelligentsia and the ruling class, but feel frustrated because few of them can hope to work their way up. They embraced the Nazi creed on the theory that any change from the routine of everyday life is for the better.

The second manifestation of the effect of the *Anschluss* on Hungary was the Government's dispatch of trade delegations to Berlin. In order to obtain economic advantages these stressed how much Hungary belonged politically in the German system. And in fact in the last two years Hungary has had two important customers and two important sources of supply: Germany and Austria. These industrial states were the natural markets for Hungary's agricultural products, especially after her third industrial neighbor, Czecho-Slovakia, closed its frontiers against Hungarian agricultural goods.

Thus, Hungary's trade with Germany (1936–37 average) represented 23½ percent of her exports and 26 percent of her imports; while her trade with Austria represented 17 percent of her exports and 17½ percent of her imports. In the first nine months of 1938 (six of which were subsequent to the *Anschluss*), the participation of "Greater Germany" in Hungarian foreign trade amounted to 44½ percent of Hungary's exports and 41½ percent of her imports. This was four times as large as Hungary's trade with Italy, the country which stood second in importance. Germany actually took no less than 61 percent of Hungary's agricultural exports in the third quarter of 1938. In addition, she paid considerably higher prices for many of these than obtained on world markets.[1] Of course, these prices were paid in marks, and thus the amounts realized could be used only for the purchase of German products; but for the Hungarian farmer that made no difference. If we further take into account Germany's enhanced military prestige and the influence exercised by the squadrons of German airplanes, military and civil, that visited constantly along the Danube, we easily understand why each recent official Hungarian utterance has begun by emphasizing the old ties, "strengthened in the World War fought shoulder by shoulder," connecting Hungary with the German Reich.

Kálmán de Darányi, a typical small official who had happened to make a great career and who was deeply impressed by the Nazi

[1] Germany paid as much as 60 percent above world prices in the case of her recent purchases of wheat.

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successes, was Prime Minister, having assumed office in the fall of 1936. He decided that the best way to placate Hitler was for Hungary to adopt parts of the Nazi program. Hungary could no longer afford, he believed, to suppress the domestic Nazi movement ruthlessly. He decided that it would be better to take the wind out of opposition sails by putting the opposition program into effect; the German Nazis would be appeased and at the same time the Hungarian Nazis would be checked.

Some of the measures adopted by Hungary immediately after the World War led foreign observers to describe her Government as a dictatorship. But in fact in March 1938 Hungary was the only country in Central Europe, apart from democratic Czecho-Slovakia, where opposition deputies (including a few Socialists) criticized and attacked the Government in Parliament and where the press printed those attacks without alterations and omissions. The strength of the old parliamentary traditions was such that Darányi decided not to attempt to interfere with them. But the Jewish question offered a chance for a move along Fascist lines.

Jews form only about six percent of Hungary's population; but they are concentrated in the large cities where often they constitute 20 percent of the total. They have never considered themselves a race apart. Indeed, they are proud of being Hungarians and are nationalistic to the extreme. Though they long had been discriminated against in the civil service, this had not been the case in business, which the Hungarian nobility disdained to enter. In recent decades the development of industry under Jewish initiative has modified profoundly the country's former agricultural structure. Today, industry contributes more to the national income than does agriculture. When anti-Semites stressed the fact that the boards of directors of some of the biggest banks and industrial companies were composed exclusively of Jews, they forgot to mention that these same Jews had founded them and built them up; nor did they mention that many government offices did not contain a single person of Jewish origin.

Immediately after the *Anschluss*, Prime Minister Darányi submitted to Parliament a bill to "solve the Jewish question." He succeeded in driving it through in record time, for both liberal and Jewish opposition was paralyzed by the events then taking place in neighboring Vienna. An opposition leader's declaration that the bill bore the trade-mark "Made in Germany" made the fight against it doubly difficult. The law states that within five

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years every private employer with more than ten office employees (excluding manual workers) must have 80 percent non-Jewish employees and must pay 80 percent of the total salaries of his establishment (excluding wages) to non-Jews. Compared to the anti-Jewish legislation of Germany and Italy, this is mild indeed. The law nevertheless deeply offended the nationalistic Jews because of its discriminatory features and because it introduced the concept that the Jews are a race rather than merely Hungarians of Jewish religion.

But in addition to intensifying Fascist tendencies and influences, the *Anschluss* also strengthened the hand of the anti-Nazis. The two most important events in Hungary during the summer of 1938 stemmed directly from the *Anschluss:* the fall of the pro-Nazi Darányi Government in May, and the Bled Agreements in August, which put relations between Hungary and the Little Entente countries on a better basis than at any time since the World War.

The Magyar ruling class, reared either in liberal or in Catholic traditions, and cherishing the ideal of Hungarian independence, was deeply alarmed by the events in Austria. Particularly moved was the 70-year-old Regent, Admiral Nicholas Horthy, who in his youth served in the Hapsburg capital as adjutant to the Emperor Francis Joseph. The appearance of a large German army on Hungary's undefended western frontier, simultaneously with pro-German demonstrations in Budapest by the Hungarian Nazis, was the signal for secret conferences between those Hungarian leaders who stood to lose by a Nazi *Putsch.*

Moreover, in the first few weeks after the *Anschluss*, the general anti-German feeling in the country grew still stronger; for though Germany denounced the Versailles Treaty she did not propose to give the Burgenland back to Hungary.[2] The uninformed Hungarian masses, who had been taught that their country's thousand-year-old frontiers were inviolable, were bitterly disappointed. The sentiment against Darányi was further intensified by the economic recession, which deepened simultaneously with the rise of Nazi activities. Between February and April of 1938 the volume of notes in circulation jumped from 444 to 585 million pengoes as people withdrew their bank deposits in a fear of a political

[2] Burgenland is a small strip of land along the western border of Hungary, inhabited largely by Germans, severed from Hungary and given to Austria in 1919 by the Paris Peace Conference. On Liberty Square in Budapest there stands a monument depicting the lost Burgenland longing to return to Hungary.

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upheaval. Retail trade (especially in luxuries) and building activities came to a stop. When Darányi, despite much urging, failed to prevent the Nazis from painting arrow-crosses all over the Hungarian countryside, he lost the support of aristocrats and conservatives in the Upper Chamber and with it the backing of the Regent.[3] Immediately after Parliament had approved his anti-Jewish law, Darányi's Cabinet was superseded by one headed by Dr. Béla Imrédy. Except for the Nazis, the country joyfully hailed the Regent's act and the new Prime Minister was unanimously elected leader of the majority party of the Lower Chamber in Darányi's place.

Imrédy was chosen because a strong man was needed to restore order and reëstablish confidence. He was regarded as a man of real convictions, willing to fight for his program. Apart from his nationalistic and racial opinions, he is a pious Catholic and a scholar. Formerly he was known chiefly as a student of economics, then as a successful manager of currency: he had established foreign exchange regulations as effective as Dr. Schacht's in Germany without resorting to the complete severance of Hungarian finances from the rest of the world.

Imrédy believed that the day of liberal capitalism was past, but that nevertheless it was unnecessary to subordinate business completely to the state. In politics, similarly, he thought democratic rights must be restricted but not completely destroyed. He wanted Hungary to live on good terms with both the authoritarian and the democratic countries: he went to Rome and Berlin to pay his respects, but at the same time he suppressed the Nazis at home. A law was passed forbidding government employees to join the Nazi Party, street demonstrations were stopped, and the masses ceased to consider a Nazi upheaval inevitable. After Imrédy became prime minister enlistments in the Nazi Party fell off.[4] Then in the summer Major Szalasi was sentenced to three years in prison for subversive agitation. Feuds between the various Nazi groups thereupon revived.

Aside from dealing with the Nazi problem, Imrédy's principal tasks were economic. In 1937 the Hungarian business situation had been considered fairly satisfactory. Agricultural prices were still low in comparison with those of 1929, but industrial produc-

[3] The close connection between Darányi and the Nazis was demonstrated a few months later when he was found to be one of the few Hungarians who had received and accepted an invitation to the Nazi Congress in Nuremberg.

[4] In September, after Chamberlain's visit to Berchtesgaden, they picked up again.

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tion had risen rapidly from the low of 1932 and by 1937 had attained an all-time high.[5] This rise had been stimulated by a tax schedule favorable to housing construction and by a tariff which protected industries turning out goods formerly imported. But in both fields the saturation point had nearly been reached by the end of 1937. And of course the threat of depression was increased by the *Anschluss*. The Government therefore decided on a five-year plan of rearmament, public works and social improvements. A few months later Imrédy supplemented it with a land reform project. He proposed to divide a part of the entailed estates, which covered much of the country, into small leaseholds. In November 1938 the necessity for this became particularly urgent, following Hungary's reacquisition of extensive agricultural territories in which the Czechs had carried through a radical plan of land partitionment. Imrédy therefore suggested a great step — the distribution of over one million acres, *i.e.*, about 6 percent of Hungary's total farm land, among landless peasants. But the question of how to finance the undertaking, which wrecked many previous projects, remains unsettled.

Rearmament and the reintroduction of conscription were forbidden under the military clauses of the Trianon Treaty. In spite of the German example, Hungary was reluctant to denounce this treaty unilaterally. Foreign Minister Kánya, an experienced and much-travelled diplomat, put forth great efforts to arrive at a better understanding on this subject with the Little Entente countries. Tension between these countries and Hungary lessened when one of them, Jugoslavia, signed a treaty of friendship with Italy, champion of Hungarian aspirations. With Italy's blessing a plan was launched for Hungary to renounce any but peaceful means to regain her lost provinces, while in return the Little Entente agreed to accord her equal military rights. No decision in this matter had been reached by the end of August when Regent Horthy, Premier Imrédy and Foreign Minister Kánya, acting upon a most urgent German invitation, left for a state visit to Germany. While they were in Berlin the foreign ministers of the Little Entente, meeting in Bled, Jugoslavia, initialed a non-aggression pact between themselves and Hungary and released Hungary from the military provisions of Trianon. This visit to Germany was timed to coincide with the Bled meeting in order to show that Hungary was not a mere pawn in the German game.

[5] The index of industrial production, taking that for 1927 as 100, was 142 in 1937.

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The Hungarian public awaited with forebodings the upshot of the visit of their statesmen to Germany. Schuschnigg's trip to Berchtesgaden was recalled and both government partisans and opposition liberals were suspicious as to what was back of so elaborate a welcome for the representatives of a small country. Germany was rumored to be demanding that Hungary adopt the Nazi socio-economic order and that she accept German instructors. After Horthy's return all Hungary breathed more freely: he and his ministers had given Germany no political pledges.

The political situation in Hungary at the beginning of September, before the Sudeten crisis reached its most acute phase, struck a visitor as entirely different from what it had been a few years earlier. Then national mourning over the lost territories and incessant demands for treaty revision prohibited anything like friendly relations with the neighboring Slav countries. Now a Czech football team could be greeted warmly in Budapest. On many sides there were indications that reciprocal esteem at last had come into being. The shadow of the German colossus, stretching down the Danube, had changed the attitude of the peoples in all the so-called Succession States. Optimists dreamed of repairing Hungary's territorial grievances in a peaceful manner.

Did the Hungarian Government and ruling classes share this popular change of heart? Here just one bit of evidence suffices. In the London *Daily Telegraph* of September 2 a correspondent summarized the impressions gained after conversations with Imrédy and other leading Hungarians. He wrote:

> Statements made to me in the highest official quarters prove the error of rumors in London and Prague that Admiral Horthy's visit to Germany was made the occasion for some kind of pact between Berlin and Budapest. . . . I was assured that no understanding was attempted for any kind of future coöperation between Herr Hitler and the Hungarian Government. . . . Imrédy said to me, the key words of Hungary's foreign policy were peace and justice and if any conflict broke out in Europe Hungary's aim would be to remain *neutral*.

A few days later the European situation changed drastically. Mr. Chamberlain's journey to Berchtesgaden demonstrated to Central Europe that the man who sat in his Bavarian mountain lodge and waited for even the Prime Minister of Great Britain to come to him was the one who could distribute and withhold favors. The feeling was confirmed when Mr. Chamberlain approved of the cession of the Sudetenland to Germany. Hungary of course

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asked for her share of Czecho-Slovak territory. Since Germany appeared to be the Power likely to grant it, Horthy and Imrédy again went to Germany. This time the public was not informed as to what promises were given and obtained. But evidently it could no longer be said, as the *Daily Telegraph* correspondent had reported only three weeks earlier, that no arrangements existed between Germany and Hungary or that Hungary would remain neutral in a Central European conflict.

In the trying period which now opened there were two engrossing and interconnected questions. The first was how to recover without undue risk some of the territories ceded to Czecho-Slovakia after the World War. The second was how to curb the Hungarian Nazis without incurring German displeasure. It was the general impression that a Nazi *Putsch* would be inevitable if the middle-of-the-road cabinet proved unable to obtain frontier revision promptly. Yet time went by without Imrédy achieving any success in this direction. Four weeks after Germany's demands for all Czecho-Slovak lands inhabited by Germans had been fully met, Hungary still had obtained nothing. But in the end reliance on Germany and Italy proved the right policy. Late in October the new Czech Government accepted those two Powers as sole arbitrators, and in Vienna on November 2 Herr von Ribbentrop and Count Ciano completed the partition of Czecho-Slovakia.

By the Vienna award Hungary obtained all she had demanded in the various notes sent to Prague in October (her claims were based on prewar population statistics), with the exception of three cities which for good reasons were not severed from Slovakia or Carpatho-Ukraine. Hungary's population was enlarged by 11.7 percent and her territory by 13.3 percent. The land added to the Hungarian plains was mainly agricultural, a fact which will force her to redouble her efforts to find means of exporting wheat; but a wider market for Hungarian industries was also acquired, as well as badly needed forests and mineral deposits.

In addition to her territorial claims, Hungary in October also demanded that the Slovaks and the Ruthenians should be entitled to decide by plebiscite whether they wanted to belong to Czecho-Slovakia, as had been the case since the World War, or to Hungary, as in preceding centuries. Germany and Italy refused. But the refusal cannot in reality be considered a severe blow. Reports from eastern Czecho-Slovakia indicate that the popular vote would not have gone in favor of Hungary, despite the eco-

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nomic advantages of reuniting poor mountain districts with fertile lowlands. In any case, Hungary exaggerated the importance of securing Carpatho-Ukraine. It was a mistake to suppose that a bloc might be formed to resist German expansion if Poland and Hungary secured a common frontier, but that this would be impossible if the two countries were separated by a strip of territory less than 30 miles wide. Polish diplomacy had made the Hungarian public believe this, however, and it was generally rumored that Italy would back Hungary's claim. Both Hungarian revisionists and anti-Nazis were disappointed, while the Hungarian Government had to face the fact that Germany's political and strategic desires were the supreme law in Central Europe.

The partition of Czecho-Slovakia produced much the same effects as followed the *Anschluss*. Imrédy decided to suppress the indigenous Nazi movement by adopting a pro-German orientation in foreign policy and to copy the Nazis in certain phases of domestic policy. In other words, he attempted to check the first effect of Nazi influence by promoting the second and third effects. Nazi propaganda for the overthrow of the Government was stopped and domestic order was maintained. But friends of Germany and advocates of the mythology of race were admitted to the Government. Darányi became President of the Chamber Kánya, whose policy had included an effort to reach understandings with the Little Entente countries, retired as Foreign Minister. His successor, Count Csáky, a man of Italian leanings, visited Germany shortly after his appointment. He decided to adhere to the Rome-Berlin Axis and the anti-Comintern pact.

In the domestic field, the enhanced influence of Germany was first of all seen in the treatment of the Jews. Within six months after Darányi's assertion that the law which had just been passed had solved the Jewish question in Hungary, a new bill was submitted to Parliament adopting the German (and more recently Italian) principle that the Jews are of an alien race and must be eliminated alike from public and from business life. The official explanation of the bill stated frankly that since the enactment of the previous law the position of Jewry in Europe had altered in a way that must influence Hungarian policy. In other words, Italy's adoption of racism and the November pogrom in Germany were being taken into account. As a result, it was proposed that within four years the number of Jewish office workers should be reduced to a maximum of 12 percent in every private business, whether

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owned by Magyars or Jews.[6] Jewish physicians, lawyers, engineers, etc., already established in practice were not to be affected, but all professions were to be closed to new Jewish entrance. In line with the German and Italian formulæ, a "Jew" was defined by his Jewish blood, whereas the previous law exempted most baptized Jews. The bill, if enacted in unchanged form, would in the course of the next four years deprive about one-third of the more than 600,000 Jews in Hungary of their livelihood.

Humane considerations aside, there is doubt whether the Hungarian economy can afford the disruptions of anti-Semitism. Business life in Hungary has suffered severely in the last few months, and the average of securities on the Budapest Stock Exchange at the time these lines are written is 60 percent below the high of the previous cycle. The actual shrinkage in values is even greater than this would indicate, for concurrently with the decline of these values the pengo has also depreciated.[7]

But even after Munich the traditional Hungarian political forces were still powerful. Along with increased Nazi activities in Hungary and pro-German governmental measures, a reaction against German penetration was also discernible. The first conspicuous demonstration of the power of the old political forces occurred at the end of November when the Chamber by a majority of 19 voted against Imrédy and forced him to resign. Many reasons were reported for the rift between the Prime Minister and a large group of his followers, among them his failure in Ruthenia and the opposition of certain great landowners to land reform. More potent was the old parliamentary tradition of the country. Public opinion had been especially aroused when the rumor spread that Imrédy meant to introduce a one-party system and govern without Parliament. The revolt against this was labelled as being anti-Imrédy rather than as anti-German, and it succeeded. After protracted negotiations Imrédy declared that he would not attempt to amend the rules of parliamentary procedure and would not reduce the rights of the Chamber. He withdrew his resignation and with the support of a new but smaller majority continued in office.

In February 1939, however, Imrédy retired from public life.

[6] In a few exceptional cases the limit was set at 15 percent.

[7] In Switzerland, the only free market, 100 pengoes with an official value of $20 declined from $16 in the summer of 1938 to $9 in February 1939.

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The Nazis found out (what he himself seems never to have known) that he had Jewish blood. This placed the whole racial notion in a rather ridiculous light. Apart from that, Imrédy's replacement by a former member of his Government, Count Teleki, did not indicate a modification in basic political conditions. The policy of the Government remained unchanged. Teleki took fresh measures to suppress domestic Nazi agitation, but like his predecessor he declared himself in favor of the anti-Semitic law. His policy is under attack both by conservatives and liberals; but these are hampered by the fact that they cannot attack the basic reason why that policy is what it is; namely, Hungary's dependence on Germany.

A passing visitor to Hungary today may get the impression that Government, Parliament and public opinion are all delighted at being a "friend of the great German nation." The fact is merely, of course, that Germany's help is badly needed. It is needed for economic reasons; without it Hungary cannot sell her wheat surplus at prices guaranteeing a decent standard of living to the Hungarian farmer. It is needed for political reasons; without it Hungary can never recover the former Hungarian territories in western Rumania and northern Jugoslavia when, as is expected, Central Europe is reorganized under German auspices. Italy by herself is looked on as too weak an aid, and the Western Powers are considered wholly disinterested. But privately almost everybody regrets that there is no alternative to German "friendship." Germany does not give anything for nothing. The easiest price to pay to Germany is anti-Jewish legislation. But even this may prove an excessive price since it causes Hungary to lose the esteem of many influential Western friends, and produces economic troubles. When it comes to make payment also by abandoning parliamentary traditions, by granting further privileges to the German minority in Hungary, and by accepting German dictation in foreign politics — then the latent Hungarian opposition is stirred to much greater depths. Whether Hungary's actions are ultimately to reflect these repressed but dynamic forces will depend on the degree of aggressiveness shown by Germany, and that will depend in turn on the policies of other Great Powers and on the development of world politics.

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DENMARK'S PRECARIOUS NEUTRALITY

By Gunnar Leistikow

WHETHER Denmark can possibly manage to keep out of a future European war as she did the war of 1914–18 is a question that puzzles all Danes. There is no split of opinion as to whether she ought to maintain her neutrality if she can. Since the Napoleonic wars she has taken no active part in the struggle for power in Europe; and only once — in 1864 when she was the victim of Prussian aggression — has she been even a passive object of power politics. Like many other small Powers, she has no expansionist aspirations and nobody has ever suggested that she ought to enter into international combinations for imperialistic ends. Like most of the smaller European countries, Denmark is still a member of the League of Nations, and she joined the other small northern and western countries in what is called the Oslo trade agreement. But in a conference at Copenhagen in July 1938 these countries proclaimed themselves individually free to impose sanctions only if they choose to do so. Consequently nobody can suspect that they nourish aggressive aims of any kind.

The main problem of international politics for the Danes therefore is whether or not they would be able to keep aloof from any future general conflagration.

A particularly important phase of the problem, of course, is whether in the long run Denmark is likely to become the object of direct aggression. Since Munich, fewer people in Denmark comfort themselves by saying that England will never allow it. But there still is less apprehension on this score than might be supposed abroad. True, Denmark profited from the now generally abused Treaty of Versailles by getting back the northern part of the province of Slesvig which she lost in 1864. But the German minority in Northern Slesvig is small — only 30,000, or 15 percent of its population — and they do not form a majority in any city or municipality.[1] Moreover, this minority is one of the most liberally administered in Europe. Whether that counts for anything with German "liberators" seems doubtful after the Czecho-Slovak experience. More important, probably, is

[1] Only in the two tiny country parishes of Ubjœrg and Højer Landsogn, with 463 and 398 inhabitants respectively, according to the 1935 census, are there German majorities.

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the fact that, unlike Schleswig-Holstein in 1864 or the Sudeten areas in 1938, Northern Slesvig is not strategically important and does not contain valuable raw materials calling for emancipation from the Danish yoke. In general, then, Copenhagen does not greatly fear that the next time Greater Germany feels inclined to become still greater she will make territorial demands on Denmark.

Denmark's fate in a war would depend on two factors, one economic, the other strategic. The war I speak of is any one in which England opposes Germany, regardless of what other belligerents might be involved. The importance of such a conflict for Denmark would be economic. The Danish economy is based on exports created by her scientific system of agriculture. The chief customers are precisely the two neighboring Powers just mentioned. Britain buys mainly butter and bacon to the value of 823 million kroner a year; Greater Germany buys mainly live cattle and cattle products to the value of 300 million kroner. These two countries accounted for 73 percent of Denmark's total export trade of 1,541 millions in 1937.

Under normal conditions, it is estimated that Danish agriculture is able to feed some 12 million people in addition to the 3.8 millions in Denmark. The yield would of course go down in case imports of forage and artificial manure (valued respectively at 110 and 47 million kroner in 1937) were cut off by blockade or other belligerent measures. Even so, the productive capacity of Danish agriculture might tempt a country that had to cut its own production in order to place a great army in the field.

Will this fact imperil Denmark's neutrality? During the Great War she managed — sometimes with all the diplomatic skill and powers of rhetoric commanded by her statesmen — to remain apart, selling to each side with the more or less tacit consent of the other. Will she be able to do so again in a still greater war, involving a degree of economic warfare not imagined in 1918?

A belligerent obviously might feel tempted to interfere actively with Denmark's neutrality in order to monopolize her agricultural output. Fortunately, the danger seems less likely now than before Munich. Developments in Eastern Europe since last September promise to make Germany less dependent than before on Danish provisions. As the agricultural countries of Eastern Europe come into the German orbit, Germany will feel more and more doubtful whether the direct seizure of

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Denmark's store of food would compensate for the dislocation in Danish production inevitably created by a foreign occupation of the country. If a war comes it will probably be a long one, especially now that much-needed supplies of raw materials seem to have come within Germany's reach. In a short war she might be tempted to seize Denmark's food reserves without caring about future production; but that would not be true in a long war.

More threatening is the possibility that sooner or later a belligerent might find itself without the means to pay for Danish supplies, either in cash or by barter. Obviously the best way to get things without paying for them is to come and help oneself.

So much for economic considerations. How about strategy?

The strategic position of Denmark has two basic features: one, the country is situated at the entrance of the Baltic Sea; and two, its terrain offers ideal sites for airports.

The first factor does not necessarily imperil Denmark's neutrality. With the signing of the Anglo-German naval pact Britain renounced the mastery of the Baltic; that sea is now in fact a German lake. Britain will hardly choose to challenge Germany there. Nor is it likely, even if Soviet Russia were Britain's ally, that much non-German-controlled shipping would be left there, because — since the construction of the Baltic-White Sea Canal and of a naval and merchant ship base at Murmansk — the bulk of Russia's traffic with Great Britain can avoid the Baltic. This might possibly counterbalance the circumstance that Germany might choose to guard the straits from the Danish shore since her present navy is smaller than the one she had in 1914. Or again, the absence of any rival navy might lead the Germans to establish their first line of naval defense in the Kattegat; and this in turn might lead them to erect bases on certain small Danish islands, regardless of whether that operation drew Denmark into the conflict.

In other words, naval conditions have not changed fundamentally since 1914–1918. But this is not the case with air warfare. No other weapon has developed so much in the intervening years, and although hardly anybody pretends that air forces will be decisive in the next war, the course of events in Abyssinia, Spain and China leaves no doubt that bombings of cities and industrial plants will play a great rôle. In this respect the situation of Denmark is entirely different from what it was during the Great War, for large parts of it are as flat as a pancake and air-

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ports for land planes as well as for hydroplanes could be easily constructed almost everywhere. Indeed, Denmark might be likened to an enormous aircraft carrier permanently anchored within striking range of both Britain and Germany.

Supposing that the British possessed an air force able to take the offensive, the control of Denmark would permit them to attack Berlin and other important centers in northern Germany with devastating effect. The German aircraft industry, for instance, is almost entirely concentrated in northern Germany. The distance from southern Denmark to the German coast is about one-third of the distance from middle England to the same point. The German air force would not have a comparable advantage if it occupied Jutland, because the distance thence to Britain's industrial centers would be no shorter than from the Heligoland Bight. None the less, German airports in Jutland might be important. If the Soviet Union were also engaged, then German planes operating from Jutland might interfere with shipping on the main wartime route between Russia and Britain via Murmansk and Scotland. Further, German air bases in Denmark would threaten Sweden in case Germany had trouble in getting Swedish iron ore supplies.

However, there are obstacles in the way of either of these two assaults on Danish neutrality. The establishment of British bases in Denmark would require a landing force on so large a scale that it would hardly be thinkable except as part of a much larger operation, such as the outflanking of the Siegfried Line by an immense attack on Germany from the north. The vital centers of Germany are far too exposed to aërial attack from the north for the Germans to allow an adversary to entrench himself in Denmark without the most vigorous opposition. And Denmark, a country without natural defenses such as mountains or rivers, would not be easy for the British to defend. After their lesson at Gallipoli they will not undertake another great landing operation half-heartedly. On the other hand, a German occupation would be easier. Whether Germany attempted it would depend on what resistance she might expect, what forces she could spare from other fronts, and, last but not least, on what importance she set on the use of Denmark as an aërodrome. This latter she would weigh against her interest in maintaining Danish neutrality so as to continue drawing on Danish agricultural supplies.

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The question of Denmark's neutrality thus is very complex. Military and economic factors by no means point all in the same direction. The war office, the air ministry and the economics ministry of the same foreign Power might entertain quite opposite opinions on the subject, and might change them during the course of operations on the major battlefields. Obviously, much will depend on what other Powers are involved and on where the main battle front is located. For instance, will Italy stick to the Axis? Will Japan be kept in check by what remains of China and by the Soviet Union, or will she meanwhile have established herself as the ruler of the East? Only if Mussolini could be induced to desert Hitler so that Great Britain need not fear trouble in and along the Mediterranean, could London spare the necessary forces for a large-scale attack on Germany from the north. Again, on how many fronts must Germany fight at once — will she have to stand up against Russia at the same time she faces Britain and France, or will her back be free?

How much can Denmark herself be a factor in the great decisions which would so greatly concern her? Can she do anything to keep belligerent Powers away from her shores? If so, what?

There is no difference of opinion whatsoever about one basic fact, namely that Denmark is quite incapable of creating a military force strong enough to defend the country single-handed against a Great Power. Nor is there any serious body of opinion which proposes that the country ought to protect itself by means of a defensive alliance. An alliance with a Great Power — supposing one were available — might perhaps be a protection against another Power; but it also would spell Denmark's certain entanglement in a war involving that Power.

A defensive alliance with other Scandinavian countries is often suggested, but usually more frequently outside than inside Scandinavia, and never from well-informed sources. The economic, military and psychological prerequisites are absolutely lacking. Though akin in race and language as well as in democratic traditions, the Scandinavian countries are far from being a unity geographically, strategically or economically. They are often competitors in foreign markets, and inter-Scandinavian trade is not of first importance to any of them. Denmark absolutely rejects the idea of sending soldiers to Finland to help protect her against the Red Army, exactly as Finland rejects as absurd the idea that her regiments protect Denmark against Germany.

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But if Denmark cannot stand alone against an invading foe, and if alliances cannot be thought of, what can she do to maintain her integrity?

The Government recently appointed a committee, containing representatives of the chief parties, to study the matter. That Denmark's existing military forces amount to next to nothing is everybody's secret. A distinguished military expert, Brigadier-General Tuxen, characterized them not long ago in a leading conservative paper as follows: "Not the slightest attempt has been made to secure the land frontier against Germany with even simple barricades. The Danish forces are divided into two equally feeble parts, east and west of the Great Belt; and it would be impossible to unite them against Germany, since the German fleet is the unrivalled master of the Danish seas. The Danish forces maintained under arms are so weak that Germany could master the country before the first Danish reserves appeared at the mobilization stations. The capital and the other larger cities have no anti-aircraft defenses whatsoever; hence, the threat of an air attack alone, in which the aggressor would run no more risks than in target practice, could force the Danish Government to abandon any resistance, active or passive, against German demands."

The question is being asked whether this position could be remedied by reorganizing national defenses or whether the experiment would merely be a waste of good money to no real purpose. The answer given generally runs along party lines. The Conservatives and Liberals are at the two extremes, the former favoring rearmament, the latter utterly pacifist. The Social Democrat Party maintains a middle-of-the-road attitude.

The point of reference for all parties is the Defense Act of 1932, revised technically in 1937. This Act was a compromise between the Conservative attitude and the disarmament program of the Social Democrats. It was never put into practice, as the Government only recently got a majority in the upper house of Parliament, and then the whole idea was dropped in the light of European developments. The Conservative Party — which, incidentally, speaks for elements that would be the first to profit by rearmament — asserts that national honor demands one attempt to defend one's country whether or not there is a chance of success. The theory is that if Denmark died fighting heroically it would have a chance of resurrection at the peace conference.

The opposite opinion is held by the small but politically impor-

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tant Liberal Party, one of the last real European strongholds of pacifism. Recent developments have strengthened rather than impaired this party's anti-militarist views. It maintains that as Denmark is helpless anyhow there is no use in spending vast sums to produce a fine army. Denmark has small capital resources, only 11,000 persons having an income of more than 15,000 kroner a year. Hence, practically the whole burden of rearmament would fall on the less well-to-do, among whom are found most of the Party's supporters.

The thesis of the Social Democrats, who command the great majority of the votes, is in principle much like that of the Liberals. But though they do not renounce their outspokenly anti-militarist past, they realize that, all sentimental considerations aside, the Conservative argument has some realistic foundations. They are aware that even if no effective resistance could be offered against a first-class Power, an efficient Danish army would have a deterrent effect by promising to make the invasion costly. As this article has shown, the question whether or not to enter the Danish larder and seize the supplies stored there would be weighed carefully by Germany in the event of a general war. The existence of a Danish force able to offer resistance for a certain period of time might easily be a decisive factor in Germany's calculations. Further, a well-organized and well-disciplined force might be useful in case the defeated and hungry forces of some neighboring country attempted to penetrate onto Danish soil. Last but not least, an efficient army might make it possible for the Danish Government to choose its enemy should circumstances make neutrality impossible, whereas an unfortified frontier leaves the country the prey of the firstcomer.

Yet all these considerations do not quite overcome the Social Democratic Party's reluctance to lower the country's remarkably high standard of living in such measure as the organization of a really efficient army would entail. Nobody knows beforehand when war will come — if it comes at all. Nobody can tell whether the military instrument which might be built would ever be used, or by whom. Those who are interested in maintaining Denmark's democratic system of government would be reluctant to sap the strength of the country's democratic traditions by lowering the economic status of the workers and by militarizing all classes.

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CHILE MOVES LEFT

By Clarence H. Haring

EVENTS in Chile during the past decade and a half have pursued a spectacular course. Until the World War Chile, was generally regarded as politically the most stable nation in South America. Since 1924, however, she has experienced five military *coups d'état*, three dictatorships and one popular revolution. She came dangerously close to another upheaval last autumn when a coalition of Left wing parties, by a narrow margin, captured the presidency of the Republic, and with it the control of the Government.

In the economic sphere her vicissitudes have been equally dramatic. For a century she enjoyed high credit in the commercial world, due to her consistent endeavor to live up to her foreign obligations. But in 1931–32 she was plunged into a crisis more profound than that of any other South American country, and she was forced to default entirely on the service of the national debt. Her exports dropped to less than one-sixth of their 1929 value and her national revenues to less than one-third.

Since then the Chilean economy has recovered considerably, due in large measure to the opportune policies of the energetic government of President Alessandri, who came into office after the political turmoil of 1932. However, the most important contributing factor has been inflation, injected into the country, for good reasons or bad, by Alessandri's predecessors and utilized by his administration. Inflation has helped the farmers and industrialists, and they have been making money. But the cost of living has also risen greatly, and although accurate figures are difficult to obtain, there is a general impression that wages and salaries have not kept pace. Much building activity has taken place, especially in Santiago, but relatively little has been done to improve the scandalous health and housing conditions of the very poor.

The condition of the laboring, or *obrero*, class is indeed one of the most important political and economic problems in Chile. Even assuming that wages have kept pace with rising costs, they are still quite inadequate. If the common laborer is accused of being lazy and shiftless, and if an increase of pay results in his merely working less or spending more on drink, the answer is that he is undernourished, illiterate and wretchedly housed, and that he has never been given the opportunity to aspire to anything better. The suffering of the lower and the salaried classes today is reflected in the decreased consumption of milk and bread, in the high death rate and the large infant mortality. This constitutes not only a social problem, but a political danger. And unless the Government makes serious efforts to improve the living conditions of the masses, the seeds of revolutionary unrest will continue to germinate.

The economic depression was not the cause of political instability in Chile: the workmen took no active part in the revolution of July 1931, which overthrew President Carlos Ibáñez, nor did they have a real share in the revolutionary movements of 1932 when the depression was at its worst. Nevertheless, since the turn of the century Chile has been profoundly affected by a general democratization of society — by the rise of a new middle class and of an organized and radical labor movement. At the same time, the Chilean Con-

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gress, representing a long-dominant political and landed oligarchy, displayed increasing legislative irresponsibility. Elections were corrupt, and factional manœuvres took the place of an honest effort to understand and solve the nation's problems, problems which became more pressing after the economic dislocations of the World War.

The national elections of 1920 marked a turning point in the political history of the Republic. For the first time a democratic coalition elected — by the narrow margin of one electoral vote — a president, Arturo Alessandri, and gained control of the lower house in the Congress. The new Government announced an ambitious program of social and political reform; yet it failed to achieve the benefits it promised. The new men who took office were without political or administrative experience, and they showed as little sense of public duty as the ones they had supplanted. Congressional incompetence, governmental interference in elections and failure to solve the nation's financial difficulties therefore continued as before.

As a result of this situation a military *coup d'état* took place in September 1924: an abject Congress was forced to vote fourteen pending measures in almost as many minutes, and Alessandri was packed off to Europe on a leave of absence. A conviction that the new Provisional Government was betraying the reform cause to the old conservative elements led to another *coup d'état* in the following January. Alessandri was recalled and, in alliance with the reformers, revised the Constitution by strengthening the executive power and abolishing the patently ineffective parliamentary system. Meantime the dominant figure had come to be Colonel Carlos Ibáñez, Minister of War and the leader of all those who were determined to have efficiency and honesty in the Government. Under President Figueroa Larrain, elected in October 1925, a series of cabinet crises carried Ibáñez to the premiership, and upon the resignation of Figueroa he was elected President in May 1927.

Ibáñez, who had now become a general, was for four years virtually the dictator of Chile. Congress obeyed his orders and all opposition in the country was quickly punished by deportation or imprisonment. The fiscal organization was modernized, aristocratic favoritism removed from the higher courts, and an extended program of public works was undertaken and financed by long-term foreign loans. By July 1931, however, the rigor of his government and its continued expenditures beyond the country's limited capacity had produced a civilian revolt. Beginning with a protest strike by university students, it ended in a general strike of the professional classes and of labor. Before it, Ibáñez had no choice but to retire. Such are the political antecedents of the leader of the so-called Nazi Party in Chile today.

Dr. Juan Montero, a public-spirited lawyer and popular university professor, supported by the professional and business classes, was elected President in the following autumn. (The main issue in this election lay between Montero and ex-President Alessandri. The latter, always an opportunist, was then the spokesman for the radical labor elements.) But Montero's administration survived only six months. Inability to cope with the economic crisis cooled popular enthusiasm, and enabled a small group of civilians and army men to overthrow the Government in June 1932 by a bloodless *coup d'état*. The group that engineered this quick overturn needed two things — a leader of address

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and personality, and a program. For the first they picked Colonel Marmaduke Grove; for the second they called in Carlos Dávila, formerly Ambassador in Washington, who some time before had given wide publicity to a "social manifesto." This hastily improvised government could not long survive, and after a series of changes which need not be detailed here, Davila found himself *de facto* President of the Republic. Dávila preached a moderately socialistic program, but he showed no particular capacity to carry it out. After three months he was forcibly replaced, first by a military and then by a civilian government until new presidential elections were held in October 1932. Colonel Grove, recalled from exile, led the extremist elements, while all the moderate and conservative classes rallied round former President Alessandri. A decade earlier Alessandri had been regarded as a radical demagogue, but he now seemed, in comparison with Grove and his followers, the embodiment of order and stability. He was elected by a large majority.

President Alessandri, then sixty-four years of age, was a remarkable personality, who had always exerted a magnetic influence over the Chilean masses. During the six years of his rule (he left office last December) he administered the country along conservative lines. Under him, Chile was again dominated, as before 1920, by the aristocracy. It had, in other words, a government of the Right. There was a private military organization, called the *Milicia Republicana*, composed of upper-class youths and replete with rifles, machine guns and drill-halls. This body had been created by a group of citizens to defend the state and to maintain constitutional government. Political arrests and deportations were not infrequent, and the right of public meeting was exercised at the discretion of the police. The real power in the state was Gustavo Ross, Minister of Finance, and the measures adopted to conjure the economic crisis were almost wholly of his making. He became the candidate of the Right in the presidential elections of last October.

The Government coalition behind President Alessandri consisted of Conservatives and doctrinaire Liberals. The Conservative Party is the oldest of the four historic parties in Chile: it represents the landed aristocracy and is distinguished from the Liberals chiefly by its close alliance with the Church. The Liberals, dating from the middle of the nineteenth century, are in most respects almost as conservative. They too represent the older aristocracy; they are not unfriendly to the Church, although historically advocating its complete separation from the state and from political activity; and they have a social program that does not weigh too heavily upon them.

The Radicals, who broke away from the Liberal Party fifty years ago, represent chiefly the middle class; they are distinctly anti-clerical. In the past they were a bourgeois party without any clear principles of social action, a shortcoming which in recent years they have been endeavoring to overcome. They constitute the largest party in the country; but the events of the past fifteen years have split them into several groups and their position is thus an equivocal one. Under Alessandri the party oscillated back and forth, neither formally with the Government nor yet against it.

The Democrats, who form the smallest of the four parties and who do not differ greatly from the Radicals in principle, are drawn chiefly from the workmen and the lower middle class. They first appeared during the serious labor

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troubles of 1903–4, when their sympathy with labor caused them to split off from the Radical Party. During the Alessandri Administration they were even more divided than the Radicals — one group supporting the Government, the other (calling itself the *Democráticos*) opposing it, and each with a separate organization and "directory."

About two years ago there appeared the National Socialists, the so-called Nazi Party, which staged the ill-starred uprising in Santiago last September. This party is purely Chilean in origin and personnel, although it has borrowed some of its ideology from totalitarian Europe; it has comparatively few members, chiefly university students and a few middle-class people. It doubtless has the sympathy of German and Italian residents in Chile, but otherwise it seems to owe nothing to European influences.

Finally, there is a Leftist bloc — the *bloc de izquierda* — which consists of several extremist groups, Socialist and Communist, representing in the main the followings of particular politicians. This bloc originated in the events of 1932 and Marmaduke Grove is its leader. The most important of these groups is the Socialist Party. The Socialists have tried, not without success, to capture the Chilean Labor Confederation of some 500,000 members. There is considerable Communist sentiment among the lower classes, but the Communist Party itself is small, divided into factions, and distrusted by the other Leftist groups. None of these has a mature program, or has been in close touch with similar parties or movements in other parts of the world. A successful Leftist revolution therefore has seemed a remote possibility.

Nevertheless, something like a peaceful revolution recently took place. On October 25, 1938, a Left coalition called the Popular Front won a presidential election against the conservative oligarchy which had previously monopolized political power. The candidate of the Right, Gustavo Ross, was supported by the Conservatives, the Liberals, some Radicals and the moderate faction of the Democrats. The Popular Front candidate, Pedro Aguirre Cerda, had the united backing of a majority in the Radical Party, the Socialists, the Left-wing Democrats and the Communists. A third candidate was former President Ibáñez who became the standard bearer of the so-called Nazi Party. But he was eliminated by his presumed association with the revolt of September 5, 1938, and his followers thereupon pooled their interests with the Leftists in support of Señor Aguirre. In spite of this strange *mariage de convenance*, which concentrated all the opposition elements behind one candidate, the supporters of Señor Ross, having at least the moral backing of the Government, apparently counted upon easy victory.

The result of this bitterly contested election was the choice of Señor Aguirre by the narrowest of margins. The conservative parties led in the agricultural regions, where the laborers generally vote as instructed by their *patrones;* but in the big cities and in the nitrate and copper districts of the northern provinces the workers voted heavily for Aguirre. The election, which drew out approximately half a million voters in a population of four and a half millions, was the first in South America between a firmly constituted Popular Front including Socialists and Communists, and a combination of the Right and Center parties. It was the most impressive mass demonstration in South America since the election of President Hipólito Irigoyen in Argentina in 1928.

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Señor Ross demanded a recount on the ground that violence by the Leftists at the polls had hampered free voting. An investigating committee was appointed by the Government and feeling rose on both sides, each accusing the other of arming to support the claims of its own candidate. The inquest reduced Señor Aguirre's margin, but confirmed the result; and when the ranking commanders of the army and the constabulary privately pointed out to Señor Ross the great danger of irritating the people by prolonging the recount, he acquiesced in defeat and at the end of November left for Europe. On December 14 the Congress relieved the tension by proclaiming Aguirre president-elect, and he was formally inducted into office ten days later. The most noteworthy official delegate to the ceremony was Indalecio Prieto, War Minister of Loyalist Spain, who flew to Santiago to represent his Government and was received with an enormous popular ovation.

President Aguirre is sixty years of age, a lawyer and wealthy landowner. He has been a leading figure in the Radical Party, a deputy and senator and several times cabinet minister. He is deeply interested in education, and is a writer on agrarian and industrial problems. He is accounted a moderate who can be expected to follow a middle-of-the-road course so far as domestic policies are concerned. In a speech broadcast after the election he declared, "My government will be sincerely democratic, and will definitely end conditions in which the Chilean masses lack food, culture, clothes and dwellings." In a press interview of November 5 he commented upon his program as follows: "Left-wing governments which have been in power during recent years could have accomplished much more, if they had been assured two assets: discretion on the part of the rulers and discipline among the masses. . . . We do not want to put the State into industry. . . . Chile is not ready to nationalize or socialize its great copper and nitrate industries. It lacks the capital for that. We do not intend to use foreign capital as a football. My government will be nationalistic in the sense that it will defend Chilean interests, but its nationalism will be of the head as well as of the heart. . . . We do not intend to 'Mexicanize' Chile. The two countries are very different. We can profit by Mexico's advances, but also by her mistakes. . . . If the large properties show themselves economically inefficient, their lands will be divided — with compensation to existing owners, according to the law which has been on our books for some time — and given to those who want plots and can work them. We desire to increase the number of small farmers and thus provide a social basis for political democracy."

The senior partner in the Popular Front is the Radical Party, and for the moment it seems to control the political situation. The new Cabinet, announced on December 14, included six Radicals, two Democrats and three Socialists. The Communists were not represented, nor were the followers of General Ibáñez.[1] Somewhat disconcerting has been the clean sweep made in all branches

[1] It is interesting to note, however, that the new President's first decree declared an amnesty and complete freedom from responsibility for all those involved in the "Nazi revolt" of September 5. On the other hand, according to press reports, a "Nazi" Congress in January completely reorganized the party, firmly repudiated Hitlerism, and moved closer to the Socialists. It has changed its name to Popular Socialist Vanguard, and demands the nationalization of large capitalistic enterprises, including the foreign-owned copper, nitrate and electric power industries.

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of the administration. Not only have the political authorities in all provinces and departments been replaced, but the managerial staffs of the Central Bank, National Mortgage Bank, National Export Board, Exchange Control Commission and Workers Insurance Bureau, have been completely reorganized, as have also the high commands of the army, navy and rural constabulary. There has been a wholesale removal of diplomatic and consular officers, and a radical readjustment of personnel in the Foreign Office. President Aguirre apparently believes that the landowning and capitalist class formerly in power will not coöperate in the Government's program, and he therefore is installing in office an entirely new lot of men friendly to the social and economic reforms which he has promised the country. In this circumstance, however, there lies a danger. The new personnel is in most cases without experience, and in the government banks and other fiscal agencies as well as in the foreign service, the complete elimination of the old order may involve a liability as well as an asset for the new régime. It may remove the needed brakes upon over-hasty reform and it may lead a well-intentioned but radical Government to defeat its own purposes with ill-considered measures.

Long-term plans have already been announced for the electrification of the entire country by the installation of hydroelectric plants and the distribution of cheap current to national industries. Also promulgated is a program of colonization designed to settle small farmers on unused land, an extensive system of new highways, rapid provision of low-cost workmen's homes, and a reorganization of the entire school system in the interest of popular education. The Government proposes to spend ten million pesos a year on the care of tubercular patients, and eight millions annually on clothing for poor school children.[2] This vast program is reported to involve an expenditure of 500 million pesos ($20,000,000) annually. Whence the money is to come has not yet been made clear, if indeed the problem has even been squarely faced. In a general way the Chilean "New Deal" is designed to increase agricultural and industrial production, reduce the cost of living, lessen the necessity for imports and strengthen the exchange value of the peso. It is also announced that the Government will consolidate all social security organizations into one unit and divert a large portion of its investments to public projects. None of these measures, however, can finance the Popular Front's ambitious program of social reform. This can be effected only by some kind of public financing. But the nation is poor, and foreign loans are not likely to be secured easily. Since the middle class is small, any great improvement in the standard of living of the masses must be at the expense of the wealthy.

For years Chileans have pinned their faith in the future of their country upon industrialization. Chile possesses important resources of iron, copper, coal and water power. Since the economic crisis of 1931–32 the growth of manufactures has been considerable, and the new régime is evidently pledged to intensify this trend. But Chile suffers from a dearth of native capital, and the

[2] Among the reforms immediately put into effect were an eight-hour working day for public employees, a 50 percent reduction of railway rates on wheat and flour, the government fixing of the price of important foodstuffs, return to the owners without charge of all property in pawnshops belonging to the working classes, and nullification of decrees by the Alessandri Government granting land concessions in Magallanes Province.

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heavy taxation of recent years is not conducive to its accumulation. In the past, like other Latin American countries, Chile has needed the coöperation of the foreigner. At present Chilean opinion is not very friendly to foreign capital, and some believe that what is already invested there has been too severely treated to attract much more to the country. Moreover, Chile's home market is relatively small, the purchasing power of the masses is low, and foreign markets for manufactured goods are confined to Peru and Bolivia, Chile's non-industrial neighbors. But these will probably find it more to their interest to import from the United States and Europe, where their own export markets lie. Thus, there is no basis for cheap, large-scale manufacturing in Chile. Chile has a superb climate and a vigorous people, intelligent and enterprising. She possesses sufficient agricultural resources to feed herself comfortably, and large potential mineral wealth. But unless income can be greatly increased, unless she discovers some new source of exportable goods which can play a rôle in the national economy comparable to that of nitrate of soda before the World War, she may experience a decline, rather than an increase, in the general standard of living.

Moreover, it cannot be forgotten that President Aguirre was put into office partly by elements determined to effect revolutionary changes in the Republic. Their radicalism is probably in large measure due to their poverty. Should the Government be unable to make good its promises, should the social regeneration of the Chilean workers move at too slow a tempo, a renewal of disorders may be anticipated. It is also possible that the Rightists will not be inclined to submit tamely to the confiscation of their wealth. Rumors of conspiracy are already abroad. And there remains the figure of General Ibáñez who, absolved from complicity in the September uprising, returned to Chile at the end of December. He has refused to take any post under Aguirre, preferring to devote all of his time to organizing his party. Experience has shown that two regiments are enough at any time to seize the Moneda, or Government House, if a few designing officers can win them over. And the rest of the garrison is loath to oppose them with rifles, being unconvinced that any administration is worth protecting to the extent of firing on their own comrades. Ibáñez may possibly be biding his time, and should events warrant, he might again come forward as the strong man of Chile.

The tragic disaster of the earthquake on last January 24 — exactly one month after Aguirre's inauguration — has suddenly confronted his Government with new and unforeseen problems. It practically destroyed the principal towns in six provinces, including Concepción, Chile's third city. The President has asked Congress to approve the raising of a 2½ billion peso fund for relief and reconstruction, a sum half again as large as the normal annual budget. Most of this will have to come, directly or indirectly, from heavy taxes on farm lands, industries, commerce, inheritances and other items. The effect may be to make the financing of the social program well-nigh impossible. It may, at the same time, by its demands upon capital reserves, hasten that levelling of classes which the Leftist ideology envisages.

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THE BURMA ROAD

By Walter H. Mallory

THE fall of Canton last October deprived China of her last important port of entry for war materials from abroad. Thenceforth she would have to depend on the thin trickle of supplies which might elude the Japanese naval forces to be landed at small ports such as Foochow, Wenchow or Swatow, or bring them across the boundaries of adjacent countries in the northwest or southwest. It is now apparent that Generalissimo Chiang Kai-shek had anticipated this situation and had planned accordingly. While Japan was firmly closing China's front door, Chiang was laying plans to keep contact with the outside world by opening the back. Roads were started toward the frontier of Soviet Russia and toward Burma.

When Chiang moved his government to Chungking he found himself roughly equidistant from three foreign avenues for obtaining supplies: the Turk-Sib railway in Soviet Russia, the port of Haiphong in French Indo-China, and the port of Rangoon in Burma. Work had already been started on the road to Russia via Lanchow in Kansu province and Urumchi in Sinkiang. But over this route goods must be carried the entire distance of more than 2,000 miles by truck. It leads through desolate country, and obviously even with a good road much of the carrying capacity of the lorries must be devoted to fuel supplies. The route to the sea at Haiphong, through Kunming and French Indo-China, is considerably shorter and for nearly half the distance is served by a metre-gauge railway line. However, the Japanese have brought such pressure on the French that they have declined to transport war materials. The distance to Rangoon through Kunming, Lashio and Mandalay is about 2,100 miles, and is served by a railroad line only a quarter of the way. Yet it is the most dependable route now remaining for bringing in military supplies.

The Chinese started building the last, and most difficult, link in the Burma road in December 1937. It is now completed. It follows the old trail which Marco Polo traveled when he visited the Middle Kingdom more than 600 years ago. How far it will serve to assist China in solving her problem of supply remains to be seen. But its completion by native labor, without any modern road-building machinery whatever, and through a sparsely-settled, mountainous country, represents a very substantial accomplishment.

A part of the road was built in former years. As early as 1925, the China International Famine Relief Commission made surveys of the route between Yunnanfu (now called Kunming) and Kweiyang and subsequently completed that stretch. Later the link between Kweiyang and Chungking was built. The new part of the road, from Siakwan (the section between Kunming and Siakwan was laid out and roughly constructed two or three years ago) to the Burma border, was not undertaken until after the present war with Japan started. There it connects with a recently improved road built by the Burmese authorities which proceeds to the railhead at Lashio. The railroad leads by way of Mandalay to the port of Rangoon.

The road from Kunming to the Burma border is approximately 650 miles in length. Along much of its course it is winding and it crosses many high moun-

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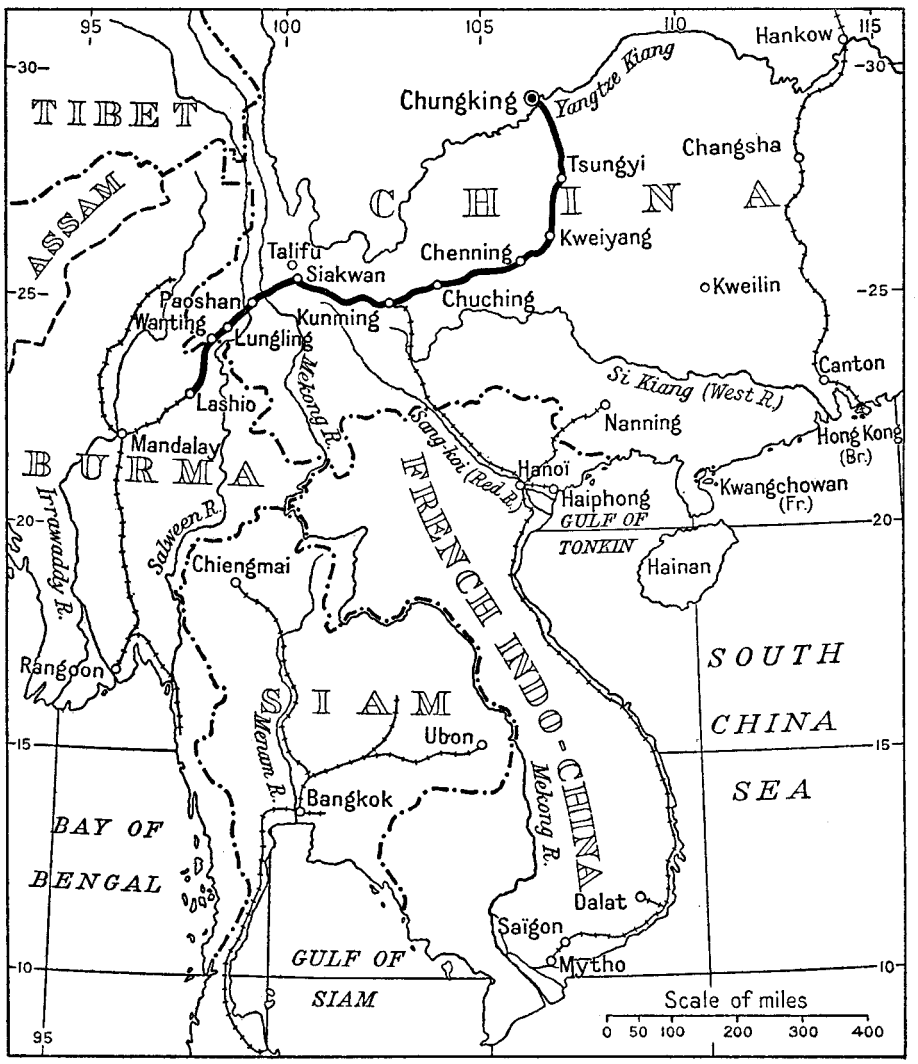
tain passes. Near the Burma frontier it crosses the Salween and Mekong rivers which flow southward from Tibet in high steep valleys flanked by mountains rising to 8,000 feet above sea level and 4,000 to 5,000 feet above the beds of the rivers. When we remember that these natural obstacles were surmounted without any kind of machinery and in a country where even wheels have hitherto



been unknown, the achievement seems almost incredible. It can be explained only by the unlimited supply of labor. At the height of the operations more than 120,000 laborers — men, women, and even children — were engaged on the work.

The bridges over the big rivers are suspended from steel cables and con-

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structed of wood. Stone bridges are the rule for the smaller streams. In areas where rock was available it was used both for the foundations and the surfacing. There are, however, stretches which traverse a clay country. There the surfacing is a mixture of clay and sand. This is satisfactory, at least in the dry season, if there is adequate labor available to fill in ruts and keep the surface smooth. Much of the road is narrow and will allow only one lane of traffic. But there is provision at frequent intervals for passing.

The Chinese transport authorities are working energetically to assure effective use of the road. A part of the $25,000,000 loan made to China by the American Export-Import Bank is being used to purchase trucks and fuel. In December an order for 1,000 three-ton Chrysler and General Motors trucks was placed in the United States and these have all been shipped to Rangoon. It is reported that many of them have already arrived and are in use on the road. Subsequently an order for an additional 1,000 three-ton Chrysler and Ford trucks was placed. Part of these are going to Rangoon and part to Haiphong. The Chinese are calling for the delivery of gasoline at both Rangoon and Haiphong. Thus they apparently have the hope of being able to use the French railway line to bring in gasoline. This would be a great advantage, for then a full load of munitions could be carried up into China from Burma and fuel supplies secured at Kunming by the return trip. In addition to trucks, pack animals and bullock carts are being used. An effort is being made to secure second-hand motor car axles and wheels to be fitted to bodies and shafts for draft animals. One such vehicle having ball bearings will carry a ton or more and can be drawn by two animals. Medical stations, repair stations for trucks, and stables for relays of transport animals are being established along the road. The British authorities seem to be coöperating cordially. They have put the road on the Burma side (120 miles in length) in good condition, and warehouses are being built at the railhead at Lashio for the freight which is accumulating there.

The upkeep of the road presents a tremendous problem, particularly in the rainy season which begins in May and continues until November. In the hill country the route is subject to landslides, and these will of course be particularly severe during the rains. The Chinese seem to have an abundant supply of labor for upkeep. They will need it.

Naturally the Japanese will make every effort to disrupt traffic along the road. Thus far they have not succeeded in intimidating the British in Burma as they have the French in Indo-China. Nor are they apt to do so, for between Rangoon and the scene of Japanese naval operations lies the Singapore base. It was rumored recently that Japan was making efforts to stir up the Burmese and was trying to arm the tribesmen in the part of Yunnan traversed by the road. As to direct action, they are at present too far away to do any effective bombing. Kunming is more than 600 miles from any Japanese bombing base.

It is difficult to estimate how great a volume of supplies the road can carry into China in the coming months. A transport system is only as good as its weakest link. It is said that the average round trip from Lashio to Kunming will take two weeks. On that basis, if 100 trucks were to leave every day, each with three tons of cargo, a monthly total of some 9,000 tons could be moved. This would require 1,400 trucks in constant use.

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RECENT BOOKS ON INTERNATIONAL RELATIONS

By Robert Gale Woolbert

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General: Political, Military and Legal

UNION NOW. By CLARENCE K. STREIT. New York: Harper, 1939, 315 p. $3.00.

For nine years Mr. Streit covered League activities at Geneva for the *New York Times*. As a devout believer in the purposes for which the League was created, he has watched its decline with sorrow yet with few illusions about the causes for that decline. What is needed, he finds, is a federal *union* among the world's democratic peoples rather than a loose *league* of all nations. The nature of such a union he outlines in detail and with persuasive conviction. One hesitates to criticize Mr. Streit's vision as too Utopian for this far from best of all possible worlds; yet we cannot ignore the fact that present-day tendencies are decidedly in the opposite direction from internationalism and free trade. This fact does not mean that serious persons should not try to chart a new course; and all who believe this will want to read Mr. Streit's book.

WHEN THERE IS NO PEACE. By HAMILTON FISH ARMSTRONG. New York: Macmillan, 1939, 236 p. $1.75.

This book consists of a revised and expanded version of Mr. Armstrong's article in the January 1939 issue of FOREIGN AFFAIRS, together with a 73-page chronology of events connected with the Czech-German crisis (from February 20 to October 9, 1938), and an appendix containing the hitherto unpublished text of the Czech reply to the Anglo-French plan of September 19.

EUROPE IN RETREAT. By VERA MICHELES DEAN. New York: Knopf, 1939, 254 p. $2.00.

Mrs. Dean, Research Director of the Foreign Policy Association, has sought to explain the current state of Europe as the natural outcome of things done, and left undone, in the twenty years that have elapsed since Versailles. The result is a well-arranged and judicious summary of the postwar period.

THE RULING CLASS. By GAETANO MOSCA. New York: McGraw-Hill, 1939, 514 p. $4.50.

This work, already a classic in Europe, deserves the widest attention in America. The author is the foremost political philosopher in Italy and his teachings have been drawn on heavily by Pareto and others.

LIBERALITY AND CIVILIZATION. By GILBERT MURRAY. New York: Macmillan, 1938, 94 p. $1.00.

The true path of liberalism marked out by a famous English scholar.

WAR, PEACE AND CHANGE. By JOHN FOSTER DULLES. New York: Harper, 1939, 170 p. $1.75.

A prominent American lawyer argues that the chances of preserving world peace will be enhanced by pursuing a general policy of live-and-let-live as far as ideologies are concerned, and by diminishing the economic and political isolation of each nation. He proposes that the "status quo" Powers, by the process of "peaceful change," meet

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the legitimate demands of the so-called "have-nots" in order to avoid compelling the latter to resort to war to gain their ends.

IT IS LATER THAN YOU THINK: THE NEED FOR A MILITANT DEMOCRACY. By Max Lerner. New York: Viking, 1938, 260 p. $2.50.

A pretty sane book, at least in its diagnosis of present ills. Mr. Lerner, formerly editor of the *Nation* and now professor of political science at Williams College, finds liberalism to be less than democracy. What the world needs, he tells us, is more democracy (for which a collectivist definition is implied) if we are to escape Fascism.

THE SCHOOL FOR DICTATORS. By Ignazio Silone. New York: Harper, 1938, 336 p. $2.50.

A witty yet profound satire on dictatorship, by the author of "Fontamara."

A NEW HOLY ALLIANCE. By Emil Ludwig. London: Hale, 1938, 123 p. 3/6.

The new alliance against Fascism, proposed by the famous biographer, is to include Britain, France and the United States, though other countries, like Russia, might join. There is a chapter analyzing the German temperament and the German state, and one comparing Hitler and Mussolini, to the latter's advantage.

FOREIGN POLICY IN THE MAKING. By Carl Joachim Friedrich. New York: Norton, 1938, 296 p. $2.75.

An inquiry into the causes for the failure to achieve organized peace since the war, with special attention to shifts in the balance of power.

WHOSE SEA? A MEDITERRANEAN JOURNEY. By George Martelli. London: Chatto and Windus, 1938, 308 p. 12/6.

Not the usual "comprehensive" treatise, but the record of a trip from Tunis around the Mediterranean to Syria. Mr. Martelli has some keen observations on the relative positions and colonizing abilities of France, Britain and Italy.

LAUGHING DIPLOMAT. By Daniele Varè. New York: Doubleday, 1938, 448 p. $3.00.

The entertaining memoirs of an Italian diplomat who has served in several countries.

IN MY TIME: AN OBSERVER'S RECORD OF WAR AND PEACE. By Sisley Huddleston. New York: Dutton, 1938, 411 p. $3.00.

A foreign correspondent of the older school reminisces.

WE SAW IT HAPPEN. Edited by Hanson W. Baldwin and Shepard Stone. New York: Simon and Schuster, 1938, 379 p. $3.00.

Thirteen *New York Times* correspondents relate some of their experiences.

WAR AND DEMOCRACY. By E. F. M. Durbin and others. London: Kegan Paul, 1938, 360 p. 10/6.

A symposium by British Socialist intellectuals, expressing differing points of view.

RUSTNINGSINDUSTRIEN: STATERNES KONTROL MED VAABENHANDEL OG VAABENPRODUKTION. By Svend Laursen. Copenhagen: Gyldendal, for the Institute of Economics and History, 1938, 96 p. Kr. 2.50.

A well-documented summary of the attempts made to control the manufacture and sale of arms by national and international regulations.

AIR-RAID: THE TECHNIQUE OF SILENT APPROACH, HIGH EXPLOSIVE, PANIC. By John Langdon-Davies. London: Routledge, 1938, 142 p. 2/6.

The experience of Barcelona is used as a concrete example.

SEA POWER AND THE NEXT WAR. By Lieutenant-Commander A. C. Bell. New York: Longmans, 1938, 172 p. $2.00.

The doctrine that the purpose of naval war should be to control sea communications, in its application to the World War and to hypothetical British conflicts with Japan and Germany.

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SEA POWER IN THE NEXT WAR. By Commander Russell Grenfell. London: Bles, 1938, 184 p. 5/.

A more sober, comprehensive and closely-reasoned analysis than Commander Bell's. This and the three following books belong to a series edited by Liddell Hart.

AIR POWER IN THE NEXT WAR. By J. M. Spaight. London: Bles, 1938, 181 p. 5/.

Though unwilling to be dogmatic about a conflict the scope of which is still unknown, the author (formerly in the Air Ministry) believes that the wars in Ethiopia, China and Spain indicate the possibility that the effects of aërial attack can be overrated.

TANKS IN THE NEXT WAR. By Major E. W. Sheppard. London: Bles, 1938, 182 p. 5/.

The history and use of the tank described by a retired Tank Corps officer.

PROPAGANDA IN THE NEXT WAR. By Sidney Rogerson. London: Bles, 1938, 188 p. 5/.

A realistic discussion of the lessons to be learned from the use of propaganda during and after the World War and of how they should be boldly applied in the "coming war."

THE INTERNATIONAL RESPONSIBILITY OF STATES FOR DENIAL OF JUSTICE. By Alwyn V. Freeman. New York: Longmans, 1938, 758 p. $12.50.

The first comprehensive work in English on this important juridical problem.

LE DROIT D'ASILE. By Abdollah Bahramy. Paris: Rousseau, 1938, 163 p. Fr. 35.

A legal study with current implications.

ANALYSE DU PROBLÈME DE LA NEUTRALITÉ AU COURS DE L'ÉVOLUTION DU DROIT DES GENS. By W. P. J. A. van Royen. The Hague: Nijhoff, 1938, 121 p. Gld. 2.80.

An historical monograph emphasizing recent developments.

L'ADMINISTRATION FINANCIÈRE DE LA SOCIÉTÉ DES NATIONS. By Léon G. Marcantonato. Paris: Pedone, 1938, 239 p. Fr. 50.

The first technical study that adequately covers the subject.

POLITICAL HANDBOOK OF THE WORLD, 1939. Edited by Walter H. Mallory. New York: Harper, for the Council on Foreign Relations, 1939, 207 p. $2.50.

This manual has become a standard work of reference. It gives the essential information on the composition of the parliaments, the policies and leaders of political parties, and the character and editorial direction of the press in all countries.

SURVEY OF INTERNATIONAL AFFAIRS, 1937. By Arnold J. Toynbee. New York: Oxford University Press, for the Royal Institute of International Affairs, 1938, 2 v. $17.50.

The first volume of this unsurpassed annual is divided into five parts — world affairs, world economic affairs, the Far East, Europe and the Mediterranean — while the second covers the Spanish civil war. There are maps and a chronology.

General: Economic and Social

COMPARATIVE ECONOMIC SYSTEMS. By William N. Loucks and J. Weldon Hoot. New York: Harper, 1938, 838 p. $3.50.

A comparison of the economics of capitalism, Socialism, Communism, Fascism and the coöperative system, by two professors in the University of Pennsylvania.

THE WORLD'S ECONOMIC FUTURE. By A. Loveday and others. London: Allen and Unwin, 1938, 134 p. 4/6.

Five lectures on comprehensive topics, delivered in 1937.

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FULL RECOVERY OR STAGNATION? By Alvin Harvey Hansen. New York: Norton, 1938, 350 p. $3.50.

A professor of political economy in Harvard University does not foresee the end of private enterprise, nor the necessity for planned economy. Full recovery, he finds, depends on getting new capital to flow into industry.

INTERNATIONAL ECONOMICS. By P. T. Ellsworth. New York: Macmillan, 1938, 529 p. $4.00.

A textbook, useful also to the general reader for reference purposes.

CALL TO REASON. By Axel Wenner-Gren. New York: Farrar, 1938, 152 p. $1.50.

A Swedish industrialist pleads for a world-wide application of the "middle way."

L'AGONIE DU LIBÉRALISME: LA RENAISSANCE DES LIBERTÉS FRANÇAISES. By Pierre Lucius. Paris: Sirey, 1938, 142 p. Fr. 20.

Clever but not profound remarks on the need for authoritarianism.

ORGANISATION ET ACTIVITÉ DE L'INTERNATIONALE COMMUNISTE. Paris: "Les Éditions Documentaires," 1938, 224 p. Fr. 12.

A relatively reliable reference book prepared for anti-Communist purposes.

POLITICAL ARITHMETIC: A SYMPOSIUM OF POPULATION STUDIES. Edited by Lancelot Hogben. New York: Macmillan, 1938, 531 p. $9.00.

Twelve technical papers on a politically important subject.

THE SYNTHETIC OPTIMUM OF POPULATION. By Imre Ferenczi. Paris: International Institute of Intellectual Co-operation, 1938, 115 p.

A plan for an international demographic policy.

The World War

THE DIPLOMACY OF THE BALKAN WARS, 1912–1913. By Ernst C. Helmreich. Cambridge: Harvard University Press, 1938, 523 p. $5.00.

A fundamental contribution to our knowledge of the background of the World War, by an assistant professor of history and government in Bowdoin College. To no small extent the author has relied on unpublished archival material and on information obtained in personal interviews with several of the statesmen whose policy he discusses.

BOSNA I HERCEGOVINA POD AUSTRO-UGARSKOM UPRAVOM. By V. Skarić, O. Nuri-Hadžić and N. Stojanović. Belgrade: G. Kon, 1938, 166 p.

Bosnia-Hercegovina under the Austro-Hungarian régime.

THE BRITISH ARMY AND THE CONTINENT, 1904–1914. By J. E. Tyler. New York: Longmans, 1938, 190 p. $4.20.

The author, a professional historian, shows how closely the British military men, especially Sir Henry Wilson, bound England to France during the prewar years.

WOODROW WILSON, LIFE AND LETTERS: WAR LEADER. VOLUME VII. APRIL 6, 1917–FEBRUARY 28, 1918. By Ray Stannard Baker. New York: Doubleday, 1939, 604 p. $5.00.

Mr. Baker has adopted a new method in this latest addition to his authorized biography of the War President: instead of the analytical treatment of the previous volumes he has substituted a day-by-day chronicle of events. This obviously puts on the reader the burden of establishing proper synthesis and emphasis. It has, however, certain advantages: for instance, it permits the inclusion of quoted material that otherwise might not fit easily into the text. No startling revelations are made, but many previously obscure or debated points are cleared up. The reader will be impressed with the multiplicity and urgency of the decisions Wilson had to make with increasing frequency.

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THE FORGOTTEN PEACE: BREST-LITOVSK, MARCH 1918. By John W. Wheeler-Bennett. New York: Morrow, 1939, 478 p. $5.00.

This is a worthy sequel to the author's biography of Hindenburg — "Wooden Titan." It is particularly timely in view of Nazi Germany's alleged designs for eastward expansion much along the lines laid down at Brest-Litovsk in March 1918. It is well that Mr. Wheeler-Bennett, at a time when we hear so much about the iniquities of the Versailles *Diktat*, should remind us of the sort of treaty which a victorious Germany imposed on a defeated enemy. He shows that the German occupation of the Ukraine was a very mixed blessing for Germany, since the great mass of the Ukrainian people opposed, actively or passively, her efforts to obtain foodstuffs and other supplies in that rich region. As we would expect, Mr. Wheeler-Bennett's narrative combines sound historical scholarship with a keen sense of drama and a most readable style.

NUOVI RICORDI E FRAMMENTI DI DIARIO. By L. Aldrovandi Marescotti. Milan: Mondadori, 1938, 322 p. L. 20.

Further memoirs on the war and the peace by an Italian diplomat.

WILSON UND DER WELTKRIEG. By A. Heinrich Kober. Frankfurt: Societäts-Verlag, 1938, 271 p. M. 5.40.

Important, not as history, but as an example of the *Ersatz* reading now being given the Germans in lieu of Ludwig's biographies.

THROUGH THE FOG OF WAR. By Liddell Hart. New York: Random House, 1938, 379 p. $2.50.

Another book by the well-known British military expert deploring the follies committed by the generals in the World War.

FOCH, L'ARMISTICE ET LA PAIX. By Commandant Lhopital. Paris: Plon, 1938, 244 p.

Foch's rôle sympathetically but objectively narrated.

LA GRANDE GUERRA, 1914–1918. By Giulio Caprin. Milan: Istituto per gli Studi di Politica Internazionale, 1938, 253 p. L. 16.

A handy summary, which naturally stresses Italian events.

DER WELTKRIEG, 1914–1918. VOLUME XI: DIE KRIEGFÜHRUNG IM HERBST 1916 UND IM WINTER 1916/17. Berlin: Mittler, 1938, 545 p.

This volume, prepared for the Reich War Ministry, gives a day-by-day chronicle of activities on all fronts. Numerous maps and sketches are pocketed on the back cover.

LE COMTE SCHLIEFFEN, ORGANISATEUR ET STRATÈGE. By J. Courbis. Paris: Berger-Levrault, 1938, 148 p. Fr. 18.

A sober and concise critique, based on German sources.

MACKENSEN: BRIEFE UND AUFZEICHNUNGEN. Compiled by Wolfgang Foerster. Leipzig: Bibliographisches Institut, 1938, 415 p. M. 6.50.

Mackensen's military career richly illustrated with unpublished letters and notes.

TIPI STRATEGICI DELLE CAMPAGNE SUL FRONTE ORIENTALE (1914–1917). By Pietro Raoul Mancuso. Lanciano: Carabba, 1938, 194 p. L. 12.

Essays in military history.

S DRUHÉHO BŘEHU. By Jiří Pokorný. Prague: Svaz Narodního Osvobození, 1938, 113 p. Kč. 10.

An account of how Germany sought to disrupt Russia by propaganda in 1917.

DER RITT NACH RIGA. By Eugen Freiherr von Engelhardt. Berlin: Volk und Reich, 1938, 152 p. M. 3.75.

Chapters on the postwar operations of the German "free corps" in Latvia.

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The United States

MEN MUST ACT. By Lewis Mumford. New York: Harcourt, 1939, 176 p. $1.50.

A well-known American writer on social questions, arguing that for practical purposes Europe has been lost to Fascism, pleads that drastic measures be adopted to save democracy in America before it is too late.

HOPE IN AMERICA. By John Strachey. New York: Modern Age Books, 1938, 215 p. 50 cents.

Mr. Strachey recently emerged from the toils of the American immigration regulations designed to keep the United States free from aliens who preach the overthrow of the government. No comfort for the Red-hunters will be found in this book, unless it be the author's too rosy picture of conditions in Soviet Russia. His "hope" is for a Socialist democracy in the United States, one that will actively oppose Fascism.

PURSUIT OF HAPPINESS. By Herbert Agar. Boston: Houghton, 1938, 387 p. $3.00.

The checkered course of the democratic tradition in the United States.

ROADS TO A NEW AMERICA. By David Cushman Coyle. Boston: Little, Brown, 1938, 390 p. $2.75.

An engineer's blueprint for a democratic and prosperous America.

THE RAMPARTS WE WATCH. By George Fielding Eliot. New York: Reynal, 1938, 370 p. $3.00.

A comprehensive survey of the problems — military and political — connected with the defense of the United States and of its national interests, by one of America's few military publicists. He argues that, in spite of our tremendous advantage of geographic position, we must not take our invulnerability for granted.

UNITED STATES FOREIGN POLICY: ISOLATION OR ALLIANCE. Compiled by Julia E. Johnsen. New York: H. W. Wilson, 1938, 307 p. $1.25.

Articles and speeches for or against isolation by prominent Americans.

BEFORE AMERICA DECIDES: FORESIGHT IN FOREIGN AFFAIRS. Edited by Frank P. Davidson and George S. Viereck, Jr. Cambridge: Harvard University Press, 1938, 318 p. $3.00.

A dozen American writers, academic and otherwise, discuss various aspects of the world's present parlous state and the relation of the United States to it.

SOCIALISM ON THE DEFENSIVE. By Norman Thomas. New York: Harper, 1938, 304 p. $3.00.

After drawing a disheartening picture of the European scene, the American Socialist leader pleads for isolation as the best means for preserving American democracy.

THE FAR EASTERN POLICY OF THE UNITED STATES. By A. Whitney Griswold. New York: Harcourt, 1938, 530 p. $3.75.

A scholarly and up-to-date exposition of American diplomacy in the Pacific, by an assistant professor of international relations at Yale. Professor Griswold not only records but criticizes; and his judgments are strictly realistic.

THE SENATE OF THE UNITED STATES. By George H. Haynes. Boston: Houghton, 1938, 2 v. $8.50.

A comprehensive treatise on all aspects of the work of the body that shares in the conduct of our foreign relations.

PUBLIC OPINION AND THE INDIVIDUAL. By Gardner Murphy and Rensis Likert. New York: Harper, 1938, 316 p. $3.00.

An illuminating psychological study of the attitudes towards certain public questions held by students in seven American universities.

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THE GERMAN REICH AND AMERICANS OF GERMAN ORIGIN. New York: Oxford University Press, 1938, 75 p. $1.50.

Incontrovertible evidence that the Nazi Government is engaged in shepherding Germans abroad into Nazi organizations on the theory that a person of German descent always belongs to Germany. This little book disproves Hitler's claim in his speech of January 30, 1939, that "Germany refrains from any intervention in American affairs."

THE REFUGEE IN THE UNITED STATES. By Harold Fields. New York: Oxford University Press, 1938, 229 p. $2.50.

The Executive Director of the National League for American Citizenship describes the problems encountered by émigrés in the United States.

THE NEGRO AND THE DEMOCRATIC FRONT. By James W. Ford. New York: International Publishers, 1938, 222 p. $2.00.

A Negro, once Communist candidate for the Vice-Presidency of the United States, analyzes the problems of his race and states his party's program for their solution.

KRVÍ A ŽELEZEM. By Ant. S. Kalina. Prague: Private Printing, 1938, 331 p. Kč. 45.

The rôle played by the United States in Czecho-Slovakia's liberation.

CAPITALISM IN CRISIS. By James Harvey Rogers. New Haven: Yale University Press, 1938, 210 p. $2.50.

Why American capitalism has gone into a decline and what should be done about it, set forth by the Sterling Professor of Political Economy at Yale University, recently adviser on monetary matters to President Roosevelt.

MONETARY POLICIES OF THE UNITED STATES, 1932–1938. By James Daniel Paris. New York: Columbia University Press, 1938, 198 p. $2.75.

A record of the tortuous course of New Deal monetary practices.

THE STORY OF THE C. I. O. By Benjamin Stolberg. New York: Viking, 1938, 294 p. $2.00.

An experienced labor reporter describes the rise and organization of that new, militant labor body, the Congress of Industrial Organizations.

Western Europe

FASCISM FOR WHOM? By Max Ascoli and Arthur Feiler. New York: Norton, 1938, 341 p. $3.00.

There have been a great many books on Fascism, good, bad and indifferent. The present work, by two professors at the "University in Exile" in New York City, is distinctly among the better ones and will repay careful reading.

BLACKMAIL OR WAR. By Geneviève Tabouis. Harmondsworth: Penguin, 1938, 252 p. 6d.

A commentator's caustic comments on the "appeasement" policies of the Western Powers and how they abet Fascism's successful substitute for war — blackmail.

NEWS OF THE FRENCH. By Montgomery Belgion. London: Faber, 1938, 390 p. 8/6.

A well-informed exposition of current French political, social and economic problems, packed with concrete facts.

LA FRANCE VEUT LA LIBERTÉ. By Paul Valéry and others. Paris: Plon, 1938, 250 p. Fr. 18.

The nature of liberty discussed by thirteen Frenchmen of varying political hues.

LE DRAME DE LA MÉDITERRANÉE. By Camille Aymard. Paris: Baudinière, 1938, 285 p. Fr. 15.

France should beware of British attempts to embroil her with Mussolini.

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THE GOVERNMENT OF THE FRENCH REPUBLIC. By Walter Rice Sharp. New York: Van Nostrand, 1938, 373 p. $1.75.

A concise, thoroughly reliable survey, organized along "functional" lines.

UN ORDRE CORPORATIF FRANÇAIS. By Georges Coquelle-Viance. Paris: Fédération Nationale Catholique, 1938, 112 p. Fr. 6.

An outline for a corporative régime in France.

AU DELÀ DU NATIONALISME. By Thierry Maulnier. Paris: Gallimard, 1938, 250 p. Fr. 21.

This work is significant chiefly because it illustrates the anti-democratic trend of thought prevalent among certain sectors of French youth.

FRANCE FACES DEPOPULATION. By Joseph J. Spengler. Durham: Duke University Press, 1938, 313 p. $3.00.

A thoroughly scientific treatise on a politically important subject.

PROBLÈMES ALSACIENS. By H. Grimaldi. Paris: Arts Graphiques Modernes, 1938, 211 p. Fr. 40.

Economic, fiscal and social problems analyzed concretely.

LA VIE ORAGEUSE DE CLEMENCEAU. By Léon Daudet. Paris: Michel, 1938, 316 p. Fr. 18.

An intimate life of the "Tiger" by a French Royalist, editor of *L'Action Française*.

FRANCE OVERSEAS: A STUDY OF MODERN IMPERIALISM. By Herbert Ingram Priestley. New York: Appleton-Century, 1938, 463 p. $5.00.

This first good one-volume work on the history of France's present colonial empire was written by a professor of history in the University of California and is published under the auspices of the American Historical Association. The history of each of the French colonial territories is traced individually.

LA STRUCTURE ÉCONOMIQUE DE LA SUÈDE ET DE LA BELGIQUE. By Jean Jussiant. Brussels: L'Édition Universelle, 1938, 600 p. Belgian Fr. 100.

An "Essay in Comparative Economics," published for the University of Louvain.

GERMANY SPEAKS. By 21 Leading Members of Party and State. London: Thornton Butterworth, 1938, 407 p. 10/6.

Statements on Nazi policies and achievements, published in order to show the British public how reasonable the Nazis are. Needless to say, the less pleasant aspects of Hitler's régime are not discussed at any length.

THE GOVERNMENT OF GREATER GERMANY. By James Kerr Pollock. New York: Van Nostrand, 1938, 213 p. $1.75.

A sound, up-to-date work on the mechanics of German government, national and local. On the whole, the author, who is professor of political science in the University of Michigan, succeeds in avoiding the shoals of partisanship.

INSIDE GERMANY. By Albert C. Grzesinski. New York: Dutton, 1939, 374 p. $3.50.

A Social Democratic leader, who became Prussian Minister of the Interior and Police President of Berlin in postwar Germany, reviews the history of the Weimar Republic, the causes for its downfall and the state of Germany under Hitler. A more objective book than one might expect under the circumstances.

PANGERMANISMUS: GESCHICHTE UND WIDERLEGUNG EINES SCHLAGWORTES. By Kurt Wessely. Linz: Ernst-Seidl, 1938, 208 p. M. 3.

An Austrian scholar attempts to correct "misconceptions" about Pan Germanism.

BETRAYAL IN CENTRAL EUROPE. By G. E. R. Gedye. New York: Harper, 1939, 499 p. $3.50.

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Mr. Gedye, Central European correspondent for the *New York Times*, was stationed at Vienna from 1925 until his expulsion after the *Anschluss*. He thus enjoyed an unrivalled opportunity for observing at close range the downfall of the Austrian Republic. This he recounts in full and graphic detail. His narrative makes it plain that Austria lost her independence because her clerico-Fascist ruling clique had destroyed its moral right to survive by warring on the working class and because Austria's foreign "friends," especially Mussolini, failed her in her hours of need. The last chapters deal with the Czecho-Slovak crisis as seen from Prague. Mr. Gedye's own militantly democratic point of view sometimes obtrudes, and one feels that he is not so scrupulously accurate in describing events where he was not present as he is in his eye-witness accounts. Nevertheless this engrossing book is a reportorial masterpiece.

DIE GEWALTHERRSCHAFT IN ÖSTERREICH, 1933 BIS 1938. By Hans von Frisch. Leipzig: Günther, 1938, 125 p. M. 3.50.

A Nazi disquisition on the tyrannical régimes of Dollfuss and Schuschnigg.

THUS DIED AUSTRIA. By Oswald Dutch. London: Arnold, 1938, 270 p. 10/6.

The author, who writes under a pseudonym, has here given us one of the best explanations of Austria's downfall, of which he was a witness.

TWILIGHT IN VIENNA. By Willi Frischauer. Boston: Houghton, 1938, 278 p. $3.00.

Insight into the social disintegration of postwar Austria, by an Austrian journalist.

GERMANY AND A LIGHTNING WAR. By Fritz Sternberg. London: Faber, 1938, 345 p. 12/6.

A Socialist examines Germany's capacity to wage the short, decisive war — which, he believes, is the sort of war the Nazis must of necessity desire if they are to keep their internal power intact. His conclusion, the result of careful research and analysis, is that she cannot hope to wage such a war successfully.

THE STRUGGLE FOR RELIGIOUS FREEDOM IN GERMANY. By A. S. Duncan-Jones. London: Gollancz, 1938, 319 p. 8/6.

A description of the religious conflict in Germany. The author, the Dean of Chichester, shows plainly the incompatibility between Nazi and Christian doctrines.

KONRAD HENLEIN: LEBEN UND WERK DES TURNFÜHRERS. By Rudolf Jahn. Leipzig: Kraft, 1938, 175 p. M. 2.30.

Emphasis is placed on the Sudeten Führer's career as a teacher of gymnastics.

DIE DEUTSCHE WIRTSCHAFTSLAGE VON 1914 BIS 1923: KRIEG, GELDBLÄHE UND WECHSELLAGEN. By Friedrich Hesse. Jena: Fischer, 1938, 498 p. M. 15.

This voluminous work treats a decade of Germany's economic and financial history in statistical detail and gives the conclusions to which that history leads.

DAS DEUTSCHE ROHSTOFFWUNDER. By Anton Lübke. Stuttgart: Verlag für Wirtschaft und Verkehr, 1938, 556 p. M. 6.80.

A long-winded essay in popular science which ignores political and economic factors.

CONTROL POLICIES OF THE REICHSBANK, 1924–1933. By Mildred B. Northrop. New York: Columbia University Press, 1938, 405 p. $4.00.

A somewhat technical investigation.

THE GERMAN FAT PLAN AND ITS ECONOMIC SETTING. By Karl Brandt. Stanford: Stanford University Press, for the Food Research Institute, 1938, 344 p. $3.00.

A study into a problem with important political implications, by a recognized expert on German agriculture.

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KRIEG AUF SCHWEIZERBODEN? By Max Barthell. Zürich: Verlag der "Tat," 1938, 173 p. Swiss Fr. 1.20.

A review of Switzerland's defense position in relation to the "totalitarian" war of tomorrow, by a Swiss artillery major.

LA NAISSANCE DU FASCISME: L'ITALIE DE 1919 À 1922. By A. Rossi. Paris: Gallimard, 1938, 297 p. Fr. 33.

Writing under a pseudonym, one of the intellectual leaders of the Italian Communist Party reconstructs and interprets the history of the early postwar years in Italy. He draws not only on a wealth of obscure source material but on his personal knowledge. He is very severe in his criticism of the so-called revolutionary parties.

THE FIRST SANCTIONS EXPERIMENT. By Albert E. Highley. Geneva: Geneva Research Centre, 1938, 141 p. 40 cents.

A procedural study showing how sanctions were applied against Italy.

L'ITALIA HA SEMPRE RAGIONE. By Ezio M. Gray. Milan: Mondadori, 1938, 295 p. L. 10.

Articles on international relations published over the last six years by one of Fascism's more flamboyant propagandists.

LA POLITIQUE FISCALE DE L'ITALIE FASCISTE. By Jean Dubergé. Paris: Alcan, 1938, 176 p. Fr. 20.

A technical study of taxation problems, unrelated to financial and political issues.

DIE AUSSENHANDELSPOLITIK DES NEUEN ITALIENS. By Vittorio Francescon-Centa. Hamburg: Evert, 1937, 120 p. M. 4.25.

The results of Fascist trade policy statistically treated.

PRICE CONTROL IN FASCIST ITALY. By Henry S. Miller. New York: Columbia University Press, 1938, 146 p. $2.00.

A work based on published sources and the author's personal investigations.

LE TRUPPE D'ASSALTO ITALIANE. By Salvatore Farina. Rome: Federazione Nazionale Arditi d'Italia, 1938, 385 p. L. 20.

A detailed history of Italy's shock troops.

THE DAY OF THE LIBERALS IN SPAIN. By Rhea Marsh Smith. Philadelphia: University of Pennsylvania Press, 1938, 341 p. $3.50.

An intensive and objective examination of the Republican Constitution of 1931, its background, its formulation and its provisions.

A DIARY OF MY TIMES. By Georges Bernanos. New York: Macmillan, 1938, 270 p. $2.50.

The English translation of "Les Grands Cimetières sous la Lune," discussed by Alexander Werth in the October 1938 issue of Foreign Affairs. Bernanos, a French Catholic and Royalist, records the barbarities of Insurgent rule in Majorca, for which the Church, he regretfully states, must bear its share of responsibility. This book could be read with profit by all to whom Franco is the paladin of "civilization."

THE CIVIL WAR IN SPAIN. By Frank Jellinek. London: Gollancz, 1938, 637 p. 8/6.

A former London *News-Chronicle* correspondent in Spain relates in vivid detail the birth of the Spanish Republic and the origins and conduct of the civil war, which came, he finds, after all peaceful means for smashing the Republic had been exhausted by the Spanish Right and its international accomplices.

7 MOIS ET 7 JOURS DANS L'ESPAGNE DE FRANCO. By Inaki de Aberrigoyen. Paris: Peyre, 1938, 159 p. Fr. 10.

The experiences of a Basque Nationalist priest in Rebel Spain.

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REVOLUTIONARY PORTUGAL (1910–1936). By V. de Bragança-Cunha. London: James Clarke, 1938, 282 p. 7/6.
A much-needed critical history of the Portuguese Republic.

Eastern Europe

L'EUROPE ORIENTALE À L'ÉPOQUE CONTEMPORAINE. By Michel Lhéritier. Paris: Boivin, 1938, 184 p. Fr. 18.
A concise, well-organized and readable précis of pre-Munich history.

AFTERTHOUGHTS ON THE U.S.S.R. By André Gide. New York: Dial Press, 1938, 142 p. $1.50.
A refutation of the criticisms heaped by Communists on Gide's "Return from the U.S.S.R.," with pages from his Russian diary.

LA RUSSIE SOUS LES SOVIETS. By N. de Basily. Paris: Plon, 1938, 521 p. Fr. 40.
A Tsarist diplomat finds that liberty does not flourish in Russia.

THE SOVIET COMES OF AGE. By Twenty-eight of the Foremost Citizens of the U.S.S.R. London: Hodge, 1938, 337 p. 15/.
Twenty-one years of Soviet achievement in various fields.

THE RED ARMY. By Erich Wollenberg. London: Secker and Warburg, 1938, 283 p. 10/6.
This is one of the more important books that have been published on Russia during recent years. The author served in the Red Army from 1921 to 1936 and was identified with the Tukhachevsky line of policy. The title of his work is somewhat of a misnomer for the author confines himself largely to the political organization of the army and tells us little about it as a military weapon. His explanation of the Tukhachevsky plot — which he says existed and of which he gives details — is plausible, while his pages on the coöperation of the Red Army with the Reichswehr will be read with interest.

ONCE A COMMISSAR. By Vladimir Koudrey. New Haven: Yale University Press, 1937, 262 p. $2.50.
The amazing career of a young man, stepson of Krassin, who was caught up and whirled about in the Soviet Revolution.

LES MAÎTRES DE LA TCHÉKA: HISTOIRE DE LA TERREUR EN U.R.S.S., 1917–1938. By Roman Goul. Paris: Éditions de France, 1938, 244 p. Fr. 18.
The Bolshevik terror presented as the work of deranged minds.

20 LET V.L.K.S.M. ISTORICHESKAYA SPRAVKA. By S. Ostryakov. Moscow: Molodaya Gvardiya, 1938, 126 p. 30 cents.
A sketch of the history of the Soviet Young Communist League.

VNESHNYAYA TORGOVLYA SOVETSKOGO SOYUZA. Edited by D. D. Mishustin. Moscow: Mezhdunarodnaya Kniga, 1938, 327 p. $1.25.
A technical survey of Soviet foreign trade.

SOVIETS IN THE ARCTIC. By T. A. Taracouzio. New York: Macmillan, 1938, 563 p. $7.50.
A painstaking "Historical, Economic and Political Study of the Soviet Advance into the Arctic," with an extensive bibliography, 34 appendices and several maps.

BALTIKUM. By Kurt Gloger. Berlin: Runge, 1938, 160 p. M. 3.
The history and politics of Lithuania, Latvia and Esthonia succinctly outlined.

DIE ENTWICKLUNG EINER WIRTSCHAFTLICHEN SELBSTVERWALTUNG IN LETTLAND. By Roderich Stender. Dresden: Dittert, 1938, 144 p.
A dry description of Latvian financial and economic affairs, concluding with complaints about the status of the German minority.

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SELF-DETERMINATION, 1919: A STUDY IN FRONTIER-MAKING BETWEEN GERMANY AND POLAND. By Frederick W. Kaltenbach. London: Jarrolds, 1938, 151 p. 3/6.

How self-determination worked in practice.

DER AUFBAU DES POLNISCHEN STAATES. By Hans Ulrich Rathje. Königsberg: Ost-Europa-Verlag, 1938, 174 p. M. 4.50.

A brief reference book on Polish law and administration.

SURVEY AFTER MUNICH. By Graham Hutton. Boston: Little, Brown, 1939, 253 p. $2.50.

An up-to-the-minute guide to German actions and hopes in the Danube valley, by a former assistant editor of the London *Economist*. It will be especially valuable for economists who wonder how long Germany can continue buying above and selling below world prices in order to nourish a war economy, and to students of Balkan affairs who wish to gauge the capacities of the Balkan states to resist being drawn completely into the German orbit.

WHAT NEXT IN CENTRAL EUROPE? By Victor Cornea. Oxford: Shakespeare Head Press, 1938, 71 p. 3/6.

A plea for collective opposition by the Danubian countries against the Nazi advance, written before the partition of Czecho-Slovakia.

BLOODLESS INVASION. By Paul Einzig. London: Duckworth, 1938, 119 p. 2/6.

A tract intended to arouse Britain to the danger inherent in Germany's economic penetration into Central and Southeastern Europe.

DAS SCHULRECHT DER DEUTSCHEN VOLKSGRUPPEN IN OST- UND SÜDOSTEUROPA. By Kurt Egon Freiherr von Türcke. Berlin: Heymann, 1938, 710 p. M. 32.

The texts of laws and decrees from nine countries.

SOUTH OF HITLER. By M. W. Fodor. Boston: Houghton, 1939, 347 p. $3.50.

A revised edition of the author's "Plot and Counter Plot in Central Europe."

LABOR LEGISLATION IN CZECHOSLOVAKIA. By Esther Bloss. New York: Columbia University Press, 1938, 210 p. $3.00.

Evidence that in many respects Czecho-Slovak labor laws attained, and even surpassed, the standards of the International Labor Convention.

CHEKHOSLOVAKIYA POD UGROZOY FASHISTSKOY AGRESSII. SBORNIK STATEI I MATERIALOV. Leningrad: Lenoblizdat, 1938, 95 p. 8 cents.

A collection of Soviet articles on the partition of Czecho-Slovakia.

DEUTSCHUNGARISCHE PROBLEME. By Gustav Gratz. Budapest: Sonntagsblatt, 1938, 261 p. Pengoes 5.

A non-Nazi leader of the German minority in Hungary states his case.

DIE STRUKTURÄNDERUNG DER UNGARISCHEN VOLKSWIRTSCHAFT NACH DEM KRIEGE UND DIE STELLUNG UNGARNS IM MITTELEUROPÄISCHEN WIRTSCHAFTSRAUM. By Karl Geller. Münster: Buschmann, 1938, 154 p. M. 4.20.

A factual survey with numerous statistical tables.

POLITICKA ISTORIJA SAVREMENE BUGARSKE. By Kosta Todorov. Belgrade: Author, 1938, 363 p.

A survey of Bulgaria's political history by a former aide of Stambuliski and proponent of a Serbo-Bulgarian rapprochement.

UNSTERBLICHES HELLAS. Edited by Charilaos Kriekoukis and Karl Bömer. Berlin: Andermann, 1938, 272 p.

An enthusiastic picture by various German writers of life in the Greece of Metaxas.

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IL RE DEGLI ALBANESI. By Terenzio Tocci. Milan: Mondadori, 1938, 172 p. L. 12.

An illustrated biography of King Zog by an Albanian official.

The British Commonwealth of Nations

GUNS OR BUTTER. By R. H. Bruce Lockhart. Boston: Little, Brown, 1938, 439 p. $3.00.

During the last two years the author, who first gained fame with his "British Agent," travelled through much of Europe, promoting British cultural relations. In this entertaining book he reports on what he learned concerning Germany's strength and England's weakness on the continent.

THE SHADOW OF THE SWASTIKA. By Geoffrey T. Garratt. London: Hamish Hamilton, 1938, 248 p. 5/.

The author of "Mussolini's Roman Empire" reveals that English liberties are being undermined by philo-Fascist movements and personages. Only the future can tell whether his fears are as ill-founded as many will want to believe them to be.

PERFIDIOUS ALBION — ENTENTE CORDIALE. By Geneviève Tabouis. London: Thornton Butterworth, 1938, 310 p. 12/6.

A French political "columnist" and friend of England discusses Anglo-French relations amicably but not always accurately.

OURSELVES AND GERMANY. By The Marquess of Londonderry. London: Hale, 1938, 184 p. 5/.

A plea for a friendly understanding with Nazi Germany by a Conservative leader.

PARLIAMENTARY GOVERNMENT IN ENGLAND. By Harold J. Laski. New York: Viking, 1938, 383 p. $3.50.

A Socialist intellectual examines the functioning and the philosophy of the British parliamentary system, as a whole and in its essential parts. In effect, this book explains that England is governed by an outmoded upper-class mentality.

THE PEOPLE'S ARMY. By Lewis Clive. London: Gollancz, 1938, 288 p. 7/6.

The outline of a Labour Party policy for military reforms which the author declares are essential if the Army is to act as the defender of British democracy.

THE AIR DEFENCE OF BRITAIN. By Air-Commodore L. E. O. Charlton, G. T. Garratt and Lieutenant-Commander R. Fletcher. Harmondsworth: Penguin, 1938, 224 p. 6d.

Essays on "The New Factor in Warfare," "Air Raid Precautions" and "Britain's Air Strength," in which the authors sometimes disagree on fundamental points.

THE ROYAL AIR FORCE. By F. V. Monk and H. T. Winter. London: Blackie, 1938, 224 p. 3/6.

Popularized information about Britain's most controversial armed service.

THE FINANCE OF BRITISH GOVERNMENT, 1920–1936. By Ursula K. Hicks. New York: Oxford University Press, 1938, 391 p. $4.50.

Careful scholarship and conservative criticism.

WHY BRITAIN PROSPERS. By William Teeling. London: Gifford, 1938, 288 p. 10/6.

A discursive book on what Britain has to teach the world and on what she can learn from the totalitarian states.

THE MACHINERY OF SOCIALIST PLANNING. By G. D. H. Cole. London: Hogarth, 1938, 80 p. 2/6.

A suggested program of action for the next Labour government.

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THE WINDSOR TAPESTRY: BEING A STUDY OF THE LIFE, HERITAGE AND ABDICATION OF H. R. H. THE DUKE OF WINDSOR, K. G. By Compton Mackenzie. New York: Stokes, 1938, 591 p. $3.75.

A stirring defense of the former King Edward VIII.

ANTHONY EDEN. By Alan Campbell Johnson. New York: Ives Washburn, 1939, 362 p. $3.00.

A readable résumé of published information on the statesman but not the man.

THE MAN WHO MADE THE PEACE: NEVILLE CHAMBERLAIN. By Stuart Hodgson. New York: Dutton, 1938, 147 p. $1.50.

Hastily compiled data on Mr. Chamberlain's career and on the Czech crisis.

THE CHAMBERLAIN TRADITION. By Sir Charles Petrie. New York: Stokes, 1938, 361 p. $2.50.

A friendly interpretation of the three Chamberlains, Joseph, Austen and Neville.

THE CAPTAINS AND THE KINGS DEPART: JOURNALS AND LETTERS OF REGINALD, VISCOUNT ESHER. Edited by Oliver, Viscount Esher. New York: Scribner, 1938, 2 v. $7.50.

Esher was one of the powers behind the scenes in British politics for a generation or more. These two volumes cover the years 1910–1929, and will prove useful to historians. His revelations on the political rôle of George V are particularly illuminating.

THE DECLINE AND FALL OF THE BRITISH EMPIRE. By Robert Briffault. New York: Simon and Schuster, 1938, 264 p. $2.00.

A blistering diatribe against practically everything British, in particular the hypocrisy that England is the bulwark of democracy. According to Mr. Briffault, an anthropologist and novelist as well as a political cynic, the British Empire is disintegrating, a process forwarded by the persistent stupidity of its governing class.

THE COLONIAL EMPIRE AND ITS CIVIL SERVICE. By Charles Jeffries. New York: Macmillan, 1938, 259 p. $3.00.

The history and functioning of the body that holds the British Empire together.

EMPIRE OPPORTUNITIES: A SURVEY OF THE POSSIBILITIES OF OVERSEAS SETTLEMENT. By Various Writers. London: Blackie, 1938, 265 p. 7/6.

Non-controversial and reliable information, supported by tables and maps.

DER IRISCH-ENGLISCHE HANDELSKRIEG. By Peter Günther Harkort. Berlin: Author, 1938, 210 p.

A historical and statistical monograph.

ROBERT LAIRD BORDEN: HIS MEMOIRS. Edited by Henry Borden. New York: Macmillan, 1938, 2 v. $12.50.

The autobiography of one of Canada's most outstanding statesmen, her wartime Premier. Over half of this work is given over to the war years.

THE NORTH AMERICAN ASSAULT ON THE CANADIAN FOREST. By A. R. M. Lower, W. A. Carrothers and S. A. Saunders. New Haven: Yale University Press, for the Carnegie Endowment for International Peace, 1938, 377 p. $3.75.

"A History of the Lumber Trade Between Canada and the United States," with special studies on the forest industries of British Columbia and the Maritime Provinces.

REAL UNION IN SOUTH AFRICA: A RECORD AND A PLEA. By W. A. Webster. Cape Town: Miller, 1938, 240 p. 5/6.

Material illustrating the liberal program of the Empire Group of South Africa.

LA POLITICA FINANZIARIA BRITANNICA IN INDIA. By Monindra M. Moulik. Bologna: Zanichelli, 1938, 238 p. L. 25.

A comprehensive study by an Indian student at the University of Rome.

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The Near East

LA CONFERENZA DI MONTREUX E LA NUOVA CONVENZIONE DEGLI STRETTI. By Mario Toscano. Milan: Martucci, 1938, 228 p. L. 20.

A diplomatic study by a competent Italian historian.

YABANCI GÖZÜYLE CUMHURIYET TÜRKIYESI. Ankara: Press Bureau, 1938, 299 p.

Foreign press comment on Turkish affairs, useful for the light it throws on the Balkan Entente, the Montreux Conference, the Hatay Agreement and foreign credits.

THE ARAB AWAKENING: THE STORY OF THE ARAB NATIONAL MOVEMENT. By George Antonius. Philadelphia: Lippincott, 1939, 471 p. $3.00.

This is unquestionably one of the more important historical works of recent years. Mr. Antonius, Christian Arab and former government official in Palestine, has written the first comprehensive history of the Pan Arab movement, and he has done it with such thorough scholarship that there will be little incentive for anyone else to seek to cover the same ground. The hitherto almost unknown origins of the Pan Arab movement in the middle and latter part of the last century are brought to light. The major portion of the book concerns the World War years, on which the author tells us much that is new. He gives the texts of the famous McMahon correspondence over which so much controversy has raged. The publication of this book is in itself an event in the history of the Pan Arab movement.

THE RAPE OF PALESTINE. By William B. Ziff. New York: Longmans, 1938, 616 p. $3.50.

A not entirely objective indictment of British mandatory rule in Palestine by a Zionist authority. The book is amply provided with notes, bibliography and index.

PALESTINE DIARY. By Lieutenant-Colonel F. H. Kisch. London: Gollancz, 1938, 478 p. 18/.

Colonel Kisch forsook a promising army career to serve in Jerusalem as Chairman of the Jerusalem Zionist Executive. He sought to bring about improved relations between Jew and Arab, an undertaking opposed by fanatics in both camps and by a certain imperialist school of British officials. His journal covers the period 1923–1931.

FULFILMENT IN THE PROMISED LAND, 1917–1937. By Norman Bentwich. London: Soncino, 1938, 246 p. 8/6.

The postwar history of Palestine synthesized by the Weizmann Professor of International Relations at the Hebrew University of Jerusalem.

LA PERSE. By Raymond Furon. Paris: Payot, 1938, 239 p. Fr. 36.

A broad survey of Iran's geography and history by a former professor in the University of Teheran. Maps, illustrations and bibliography.

Africa

AN AFRICAN SURVEY. By Lord Hailey. New York: Oxford University Press, for the Royal Institute of International Affairs, 1938, 1837 p. $7.00.

This massive work, the result of five years' intensive labor by Lord Hailey and his staff, will long stand as a landmark in African studies. Hailey has taken all Africa south of the Sahara for his province, and within this vast area covers all the main problems—geographic, anthropological, political, economic and social. Yet comprehensive as the book is, it is not a mere encyclopedia, for every effort has been made to synthesize the data and to make careful comparisons. There is an excellent index. A useful criticism of this great work will be found in the series of reviews by competent authorities prepared for the Royal African Society and published by Macmillan (2/–).

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CAPITAL INVESTMENT IN AFRICA: ITS COURSE AND EFFECTS. By S. Herbert Frankel. New York: Oxford University Press, 1938, 487 p. $4.00.

A companion volume to Lord Hailey's *magnum opus*, and like it a thorough piece of scholarship. The author, who is professor of economics and economic history at the University of the Witwatersrand, has studded his text with countless tables and graphs.

FRANKREICH IN NORD-AFRIKA. By Paul Schmitz-Kairo. Leipzig: Goldmann, 1938, 132 p. M. 2.50.

A German view of the problem of Arab unrest in French North Africa.

NUOVI ORIZZONTI AGRICOLI DELLA LIBIA. By Lincoln Nodari and others. Rome: Società Italiana Arti Grafiche, 1938, 414 p. L. 45.

This book, rich in illustrations and in concrete data on how Libya contributes to the drive for national autarchy, has especial interest in view of Italy's current policy of extensive European colonization in that colony.

SIEH UNSER NEUES LAND MIT OFFENEN AUGEN. By Louise Diel. Leipzig: List, 1938, 304 p. M. 6.80.

A friend of Mussolini reports on her visit to Ethiopia.

THE WAL WAL ARBITRATION. By Pitman B. Potter. Washington: Carnegie Endowment for International Peace, 1938, 182 p. gratis.

One of the arbiters representing Ethiopia in this famous case records its history and draws its lessons. Most of the book is devoted to relevant documents.

GERMANS IN THE CAMEROONS, 1884–1914. By Harry R. Rudin. New Haven: Yale University Press, 1938, 456 p. $4.00.

"A Case Study of Modern Imperialism" by an assistant professor of history at Yale, valuable for its light on Germany's capacity as a colonial power.

The Far East

THE DRAGON WAKES: A REPORT FROM CHINA. By Edgar Ansel Mowrer. New York: Morrow, 1939, 242 p. $2.00.

An American journalist, long recognized as an authority on European affairs, visits China and reports that Japan will not win.

THE REAL CONFLICT BETWEEN CHINA AND JAPAN. By Harley Farnsworth MacNair. Chicago: University of Chicago Press, 1938, 216 p. $2.00.

The "real conflict," according to Professor MacNair of the University of Chicago, is between the different ideals and psychological backgrounds of the two peoples.

JAPAN'S GAMBLE IN CHINA. By Freda Utley. London: Secker and Warburg, 1938, 302 p. 6/.

A Leftist interpretation of the present war which emphasizes economic factors.

HOW THE FAR EASTERN WAR WAS BEGUN. By Shuhsi Hsü. Shanghai: Kelly and Walsh, 1938, 97 p.

A documented study prepared for the Council of International Affairs at Hankow.

KITAISKI NAROD PEBEDIT. SBORNIK STATEI I DOKUMENTOV. Moscow: Izdatelstvo Politicheskoy Literatury, 1938, 112 p. 10 cents.

Soviet articles and documents concerning China's struggle against Japan.

AFFAIRS OF CHINA. By Sir Eric Teichman. London: Methuen, 1938, 312 p. 12/6.

The author, who served the British Government in China for thirty years, interprets recent Chinese diplomatic history. He supports the long-range correctness of British policy in China and foresees no early end to the present war.

LA CHINE CAPITALISTE. By Maurice Lachin. Paris: Gallimard, 1938, 304 p. Fr. 30.

Recent Chinese history seen as an effort to erect a capitalist China capable of throw-

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ing off feudalism and of creating a spirit of nationalism strong enough to protect her from Japan — an effort for which the author predicts ultimate success.

IMPERIAL JAPAN, 1926–1938. By A. Morgan Young. New York: Morrow, 1938, 328 p. $3.00.

Recent Japanese history narrated in a straightforward way by a former editor of the *Japan Chronicle*. The author, though writing without rancor, maintains a condemnatory tone towards Japan's war in China.

SOVETSKIYE OSTROVA TIKHOGO OKEANA. By M. A. Sergeyev. Moscow: Sotsekgiz, 1938, 282 p. 65 cents.

A geographical description of the Soviet islands in the Pacific.

HISTORY OF THE NETHERLANDS EAST INDIES. By E. S. De Klerck. New York: Van Riemsdyck, 1938, 2 v. $15.00.

A monumental work, with several excellent maps.

Latin America

LATIN AMERICA. By F. A. Kirkpatrick. New York: Macmillan, 1939, 456 p. $3.75.

A rapid historical survey by a British scholar.

LE PANAMÉRICANISME. By Eugène Pépin. Paris: Colin, 1938, 224 p.

The evolution of the movement for closer coöperation between the American republics, both as a political idea and as a practical reality.

HITLER CONQUISTA AMERICA. By Ernesto Giudici. Buenos Aires: Editorial Acento, 1938, 310 p.

Evidence on Nazi political and economic penetration into South America.

DIE PANAMERIKANISCHEN FRIEDENSSICHERUNGSVERTRÄGE. By Heinrich Berner. Berlin: Junker und Dünnhaupt, 1938, 242 p.

An instructive and well-organized treatise on the efforts to create an all-American peace system. Though the author goes back to the Panama conference of 1826, his principal interest is the period since 1923.

HANDBOOK OF LATIN AMERICAN STUDIES. Edited by Lewis Hanke. Cambridge: Harvard University Press, for the Carnegie Endowment for International Peace, 1938, 635 p. $4.00.

A bibliography of material published on Latin America in 1937.

A HISTORY OF MEXICO. By Henry Bamford Parkes. Boston: Houghton, 1938, 432 p. $3.75.

Mexico's story from the Aztecs to Cárdenas, compact and readable.

MEXICO AND THE UNITED STATES. Edited by S. D. Myres, Jr. Dallas: The Arnold Foundation, Southern Methodist University, 1938, 250 p.

Addresses by fifteen representative Americans and Mexicans delivered during April 1938 at a conference sponsored by several Texas universities.

OCHO AÑOS DE RECONSTRUCCIÓN NACIONAL. Edited by Arturo J. Pellerano Alfau. Ciudad Trujillo: "Listín Diario," 1938, 205 p.

An illustrated record of material progress in the Dominican Republic under Trujillo.

THE SUGAR ECONOMY OF PUERTO RICO. By Arthur D. Gayer, Paul T. Homan and Earle K. James. New York: Columbia University Press, 1938, 326 p. $3.75.

Puerto Rico's economy, which rests primarily on sugar, is undergoing tremendous strains. This comprehensive and documented book thus fills an imperative need.

ARGENTINA. By G. Revizin. Moscow: Sotsekgiz, 1938, 199 p. 30 cents.

A popular account of present-day Argentina.

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SOURCE MATERIAL

By Denys P. Myers

PUBLIC DOCUMENTS OFFICIALLY PRINTED

Documents may be procured from the following: *United States:* Gov't Printing Office, Superintendent of Documents, Washington, D. C. *Great Britain:* British Library of Information, 270 Madison Ave., New York. *France:* Gerda M. Anderson, 12 Ave. Ernest Reyer, Paris XIV^e. *League of Nations, Perm. Court of Int. Justice, Int. Institute of Intellectual Coöperation:* Columbia University Press, Int. Documents Service, 2960 Broadway, New York. *Int. Labor Office:* 734 Jackson Pl., Washington, D. C. Washington imprints are Government Printing Office and London imprints are His Majesty's Stationery Office, unless otherwise noted. Since 1928 a list of Government documents has been printed in the *Monthly List of Books Catalogued in the Library of the League of Nations.*

ANGLO-GERMAN RELATIONS

ANGLO-GERMAN PAYMENTS (amendment) agreement with exchange of letters between representatives of the Governments of the United Kingdom and the German Reich regarding negotiations for mutual trade relations with Germany. London, July 1, 1938. London, 1938. 9 p. 24½ cm. (Treaty Series No. 69 (1938), Cmd. 5881.) 2d.

ANGLO-GERMAN TRANSFER agreement. London, July 1, 1938. London, 1938. 11 p. 24½ cm. (Treaty Series No. 68 (1938), Cmd. 5880.) 2d.

SUPPLEMENTARY agreement for the execution of Article 2 of the Anglo-German transfer agreement of July 1, 1938. Berlin, August 13, 1938. London, 1938. 63 p. 24½ cm. (Treaty Series No. 70 (1938), Cmd. 5885.) 1s.

EXCHANGE OF NOTES between His Majesty's Government in the United Kingdom and the Government of the German Reich regarding the application of treaties between the United Kingdom, Germany and Austria. Berlin, May 6/September 10, 1938. London, 1938. 6 p. 24½ cm. (Treaty Series No. 71 (1938), Cmd. 5888.) 1d.

ANTARCTIC REGION

EXCHANGE OF NOTES between His Majesty's Governments in the United Kingdom, the Commonwealth of Australia and New Zealand and the French Government regarding aërial navigation in the Antarctic. Paris, October 25, 1938. London, 1938. 3 p. 24½ cm. (Treaty Series No. 73 (1938), Cmd. 5900.) 1d.

ARMAMENT

LEAGUE OF NATIONS. Armaments year-book. General and statistical information. Afghanistan, Albania, Sa'udi Arabia, Argentine, Australia, Austria, Belgium, Bolivia, Brazil, United Kingdom of Great Britain and Northern Ireland (including British Colonies, Protectorates and Mandated Territories and Newfoundland), Bulgaria, Canada, Chile, China, Colombia, Costa Rica, Cuba, Czechoslovakia, Denmark, Dominican Republic, Ecuador, Egypt, Estonia, Finland, France, Germany, Greece, Guatemala, Haiti, Honduras, Hungary, India, Iran, 'Iraq, Ireland, Italy, Japan, Latvia, Liberia, Lithuania, Luxemburg, Mexico, Netherlands, New Zealand, Nicaragua, Norway, Panama, Paraguay, Peru, Poland, Portugal, Rumania, Salvador, Siam, Spain, Sweden, Switzerland, Turkey, Union of South Africa, Union of Soviet Socialist Republics, United States of America, Uruguay, Venezuela, Yugoslavia (Kingdom of). Geneva, 1938. 1113 p. 24 cm. (League of Nations, C.206.M.112.1938.IX.3.)

STATISTICAL YEAR-BOOK of the trade in arms and ammunition. Geneva, 1938. 340 p. 33 cm. (League of Nations, C.263.M.156.1938.IX.4.)

AGREEMENT between His Majesty's Government in the United Kingdom and the Polish Government providing for the limitation of naval armament and the exchange of information concerning naval construction [with protocol of signature and exchange of notes]. London, April 27, 1938. London, 1939. 31 p. 24½ cm. (Treaty Series No. 1 (1939) Cmd. 5916.) 6d.

PROTOCOL modifying the Anglo-Polish agreement of April 27, 1938. London, 1939. 3 p. 24½ cm. (Treaty Series No. 2 (1939) Cmd. 5917.) 1d.

CHILDREN

ADVISORY COMMITTEE on social questions. The placing of children in families. Volume I. Fundamental concepts, historical development, characteristic features in differing systems, principles and procedures in the organization of services. Geneva, 1938. xvi 154 p. 24 cm. (League of Nations, C.260.M.155.1938.IV.14^I.)

——. Volume II. Various systems of placing of children in families. Geneva, 1938. xvi 241 p. 24 cm. (League of Nations, C.260.M.155.1938.IV.14^II.)

COAL MINING

THE WORLD coal-mining industry. Volume I. Economic conditions. Geneva, 1938. vii 258 p. 24 cm. (International Labor Office, Series B (Economic Conditions) No. 31.) $2.00.

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——. Volume II. Social conditions. Geneva, 1938. viii 372 p. 24 cm. (International Labor Office, Series B (Economic Conditions) No. 31.) $2.00.

COMMERCIAL AND TRADE AGREEMENTS

COMMERCIAL AGREEMENT between His Majesty's Government in the United Kingdom and the Government of Cuba. (With protocol of signature and exchange of notes regarding navigation.) Havana, February 19, 1937. London, 1938. 11 p. 24½ cm. (Treaty Series No. 67 (1938), Cmd. 5867.) 2d.

COMMERCIAL RELATIONS. Agreement between the United States of America and the Union of Soviet Socialist Republics continuing in force until August 6, 1939 the agreement of August 4, 1937. Effected by exchange of notes. Signed at Moscow August 5, 1938. Washington, 1938. 5 p. 23 cm. (Executive Agreement Series No. 132.)

EXCHANGE OF NOTES (April 21 and 23, 1938) prolonging for six months the commercial "modus vivendi" of 1936 between Canada and Uruguay. Ottawa, 1938. 1 p. 22½ cm. (Canada, Treaty Series, 1938, No. 4.) 25c.

FRIENDSHIP, COMMERCE and navigation. Treaty, final protocol and exchange of notes between the United States of America and Siam. Signed at Bangkok November 13, 1937. Washington, 1938. 18 p. 23 cm. (Treaty Series No. 940.) 5c.

TEXT of new trade agreement between the United States and Canada. Signed November 17, 1938. Washington, 1938. 45 p. 23 cm. (Department of State Publication 1255.) 10c.

TEXT of trade agreement between the United States and the United Kingdom. Signed November 17, 1938. Washington, 1938. 104 p. 23 cm. (Department of State Publication 1256.) 15c.

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A compact history of each schedule item; a publication of general utility.

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PHOSPHATES in Morocco. Application. Documents of the written proceedings. Leyden, 1938. 865 p. 24 cm. (Permanent Court of International Justice, Series C., No. 84.)

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REPORT on systems of agricultural credit and insurance. Submitted by M. Louis Tardy, Honorary Director-General of the Caisse nationale de Crédit agricole (Paris). Geneva, 1938. 116 p. 24 cm. (League of Nations, C.479.M.322.1938.II.A.24.)

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LIMITES entre el Ecuador y el Peru. Protocolo firmado en Quito por los Excelentisimos Senores Doctor don N. Clemente Ponce, Ministro de Relaciones Exteriores del Ecuador, y don Enrique Castro Oyanguren, Enviado Extraordinario y Ministro Plenipotenciario del Perú. Quito, Tlleres Tipográficos Nacionales, 1935. 50 p. 21½ cm.

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MULLER, Richard. El problema fronterizo entre Ecuador y Peru y el mapa oficial del Peru de 1826. Editorial Jouvin Guayaquil, 1937. 26 p. incl. map. 21½ cm.

PONCE, Clemente N. Boundaries between Ecuador and Peru. Memorandum presented to the Ministry of Foreign Relations of Bolivia. Second English Edition. Quito, Imprenta Nacional, 1936. 64 p. 21½ cm.

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REGISTRATION OF AGENTS of foreign principals. Rules and regulations prescribed by the Secretary of State pursuant to the act of Congress approved June 8, 1938 (Public No. 583 — 75th Congress). Washington, 1938. 12 p. 23 cm. (Department of State Publication 1209.) 5c.

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SIGNALS at level-crossings. Report of the special committee of experts presented to the Council by the committee for communications and transit. Geneva, 1938. 10 p. 33 cm. (League of Nations, C.370.M.221.1938.VIII.5.)

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ECONOMIC Intelligence Service. International trade in certain raw materials and foodstuffs by countries of origin and consumption, 1937. Geneva, 1938. 176 p. 27 cm. (League of Nations, 1938. II.A.20.)

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Covers 66 countries, and statistics of 22 are returned in accordance with the Minimum List, which makes them fully comparable for the first time.

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THE I.L.O. Year-Book 1937–38. Eighth year of issue. Geneva, 1938. viii 650 p. chart. 24 p. (International Labor Office.) $2.75.

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LÁZARO CÁRDENAS. Messages to the Mexican Nation on the Oil Question. Mexico, 1938. 21 p. 22½ cm.

THIRD diplomatic note from British Government and reply from Mexican Government, in connection with oil industry expropriation. Mexico, 1938. 19 p. 20 cm. (Mexico, Departamento Autonomo de Prensa y Publicidad.)

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CONVENTION for limiting the manufacture and regulating the distribution of narcotic drugs of July 13th, 1931, ESTIMATED WORLD REQUIREMENTS of dangerous drugs in 1939. Statement issued by the supervisory body under article 5. Geneva, 1938. 58 p. Annex. 33 cm. (League of Nations, C.488.M.331.1938.XI (O.S.B./STATEMENT 1939). (Public Edition.) 6.)

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PALESTINE PARTITION commission. Report presented by the Secretary of State for the Colonies to Parliament by Command of His Majesty October, 1938. London, 1938. 310 p. map. 24½ cm. (Cmd. 5854.) 5s. 6d.

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JOINT PREPARATORY COMMITTEE on Philippine Affairs. Report of May 20, 1938. Vol. I. Washington, 1938. xii 213 p. 23 cm. (Department of State, Publication 1216, Conference Series 36.) 45c.

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——. Vol. III. Briefs submitted to the committee. Group 1. Briefs submitted in printed form. Washington, 1938. x 724 p. 23 cm. (Department of State, Publication 1218, Conference Series 36(3).) $1.00.

——. Vol. IV. Briefs submitted to the committee. Group 2. Briefs submitted in typewritten form. Washington, 1938. x p. 725–1429. 23 cm. (Department of State, Publication 1234, Conference Series 36(3).) $1.00.

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INTERNATIONAL AGREEMENT modifying the international convention of June 21, 1920, for the establishment of an international institute of refrigeration. Paris, May 31, 1937. London, 1938. 19 p. 24½ cm. (Treaty Series No. 72 (1938), Cmd. 5889.) 4d.

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DECLARATION by His Majesty's Secretary of State for Foreign Affairs recording the acceptance of a recommendation by the international rubber regulation committee by the states parties to the agreement of May 7, 1934, regarding the regulation of the production and export of rubber. London, October 6, 1938. London, 1938. 21 p. 24½ cm. (Treaty Series No. 74 (1938), Cmd. 5901.) 4d.

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QUESTIONS relating to Article 16 of the Covenant. Geneva, 1938. 33 p. 33 cm. (League of Nations, C.44.M.287.1938.VII.2.)

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